Development Plan for Malta 1973-1980

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October 1974

MALTA 1974

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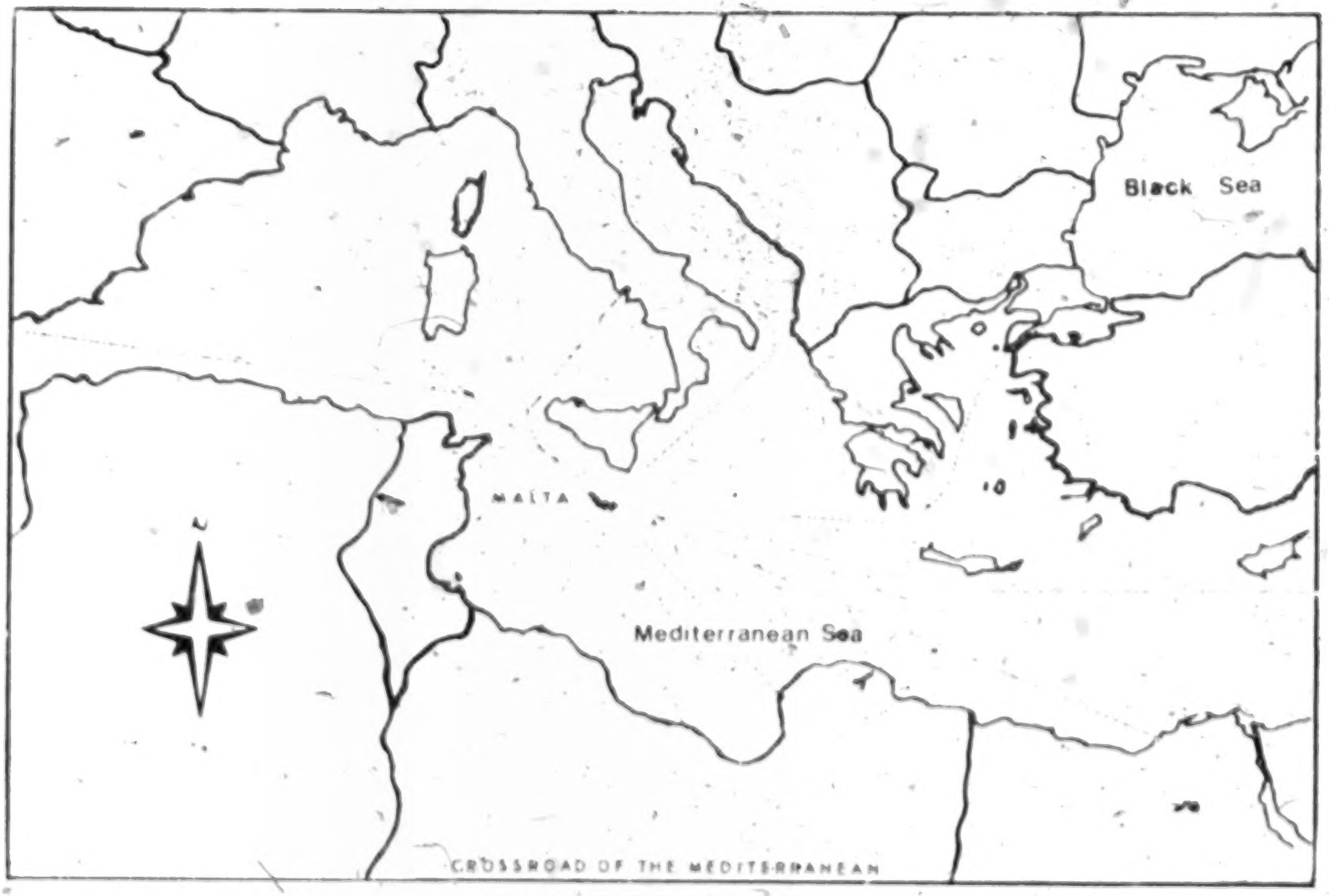
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PART I

ACHIEVEMENTS AND OBJECTIVES

PART I

ACHIEVEMENTS AND OBJECTIVES

CHAPTER I

THE RECORD AND THE CHALLENGE

The Economy in June 1971

The Labour Government was returned to power in June 1971 on a platform of economic and social reform. The strategy followed before that date was dictated by the Third Development Plan (1969-74). The ostensible objectives of that Plan were the achievement of economic independence and viability, but the results fell short of expectation. All growth sectors were performing inadequately. The Government's financial policies were based on large and growing public borrowing, in pursuit of a spendthrift programme of expenditure which was threatening to bankrupt the nation. Most unsatisfactory of all was the fact that Malta was tied to Britain by a Financial and Defence Agreement which was incompatible with Malta's sovereignty and which made totally inadequate financial provision for the defence facilities provided. Moreover, the payment was all the more inadequate for being partly in the form of high-interest loans.

New Agreement with Britain

A great deal of preparatory work and time was necessary before a new plan could be launched that would express the political, economic and social objectives of the Labour Government and the measures necessary to implement them. No plan could be devised before the British question had been resolved. Protracted negotiations took place over the second half of 1971, and early 1972, to establish a new relationship with Britain.

The relationship was required to satisfy three conditions. Firstly, so long as Britain wished to maintain a military presence in Malta it would have to pay rent in accordance with the value to Britain of the facilities in Malta which it wished to use. Secondly, the rent

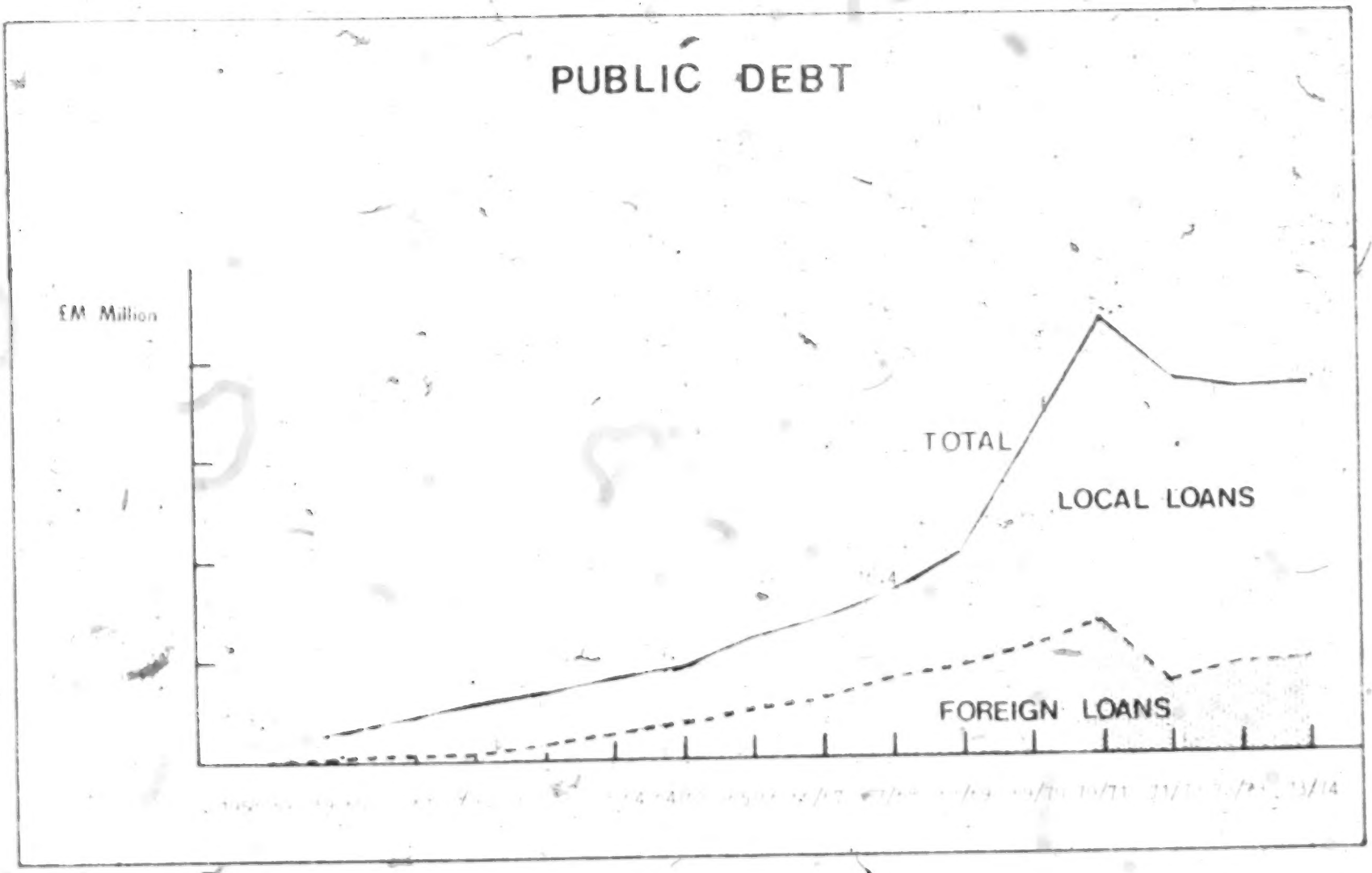
to be agreed upon should take account of the financial requirements needed to enable Malta to achieve economic independence in the shortest possible time. Thirdly, the duration of the Agreement should be for a period no longer than was necessary to make the Maltese economy self-reliant and thenceforth independent of foreign military lodgers. In March 1972 an agreement was signed for a seven-year term, ending March 31, 1979. During this period, and retrospectively from 1 October 1971, Britain would make an annual rental payment of £14 million.

Raising Financial Resources

One of the most disturbing features in the financial situation inherited by the incoming Government in 1971 was the high level and the high rate of growth of the national debt. As much as £M43 million were then owed to foreign and domestic lenders, and there was no more than a token provision for the redemption of the locally raised component, which was the greater part of the total debt. Moreover the Government took over a budgetary situation which left its expenditure commitments uncovered by projected revenue that year to the extent of no less than £M18 million or almost 35 per cent of the required amount.

The new Agreement with Britain, apart from restoring order to the nation's financial affairs, went part of the way to ensure that the financial resources for sustaining the development effort would be available. But additional finance was necessary to embark on the scale and type of required development investment. The March 1972 Agreement was in fact supplemented by bilateral arrangements between Malta and some NATO countries. Grants and soft-interest, or interest-free, loans were committed to Malta to a total extent of around £7.5 million. The main contributing countries were Italy, Germany, Canada and Norway, although other NATO countries also made contributions.

In addition to mobilising these contributions the Government, in the course of 1972, further strengthened Malta's financial position. The Chinese interest-free loan of £17 million was a particularly noteworthy achievement,


PUBLIC DEBT
£M Million
TOTAL
LOCAL LOANS
FOREIGN LOANS

with the terms of repayment exceptionally favourable; and the USA also made a $5 million loan, on soft terms, and a donation of surplus equipment to the total value of $2 million. No less welcome was the Libyan gift of funds towards the purchase of medical and other hospital requirements. Malta is particularly grateful to the Libyan nation, not only for this token gesture but also for the fact that, in the uncertain months of 1971/72, when the future of the new Agreement with Britain was in the balance, the Libyan Government kept Malta in funds, without any strings, so as to enable her to pursue her negotiations from a position of strength.

Drydocks

When the Labour Government took office the Drydocks was virtually at a standstill. No proper attempt had been made to turn this enterprise into a viable venture. Under the Colonial Regime the Bailey experiment met a disastrous end; under the Nationalist Administration the Swan Hunter association fared no better. The Labour Government, therefore, had to take over a stagnant, crippled, industry with management in a chaotic state and a demoralised labour force. The first step was to give control of operations to a new Corporation Board, drawn from representatives of the workers and of the Government. An undertaking was also given that, as soon as the ship-repair industry was on its feet, it would be handed over to the workers.

Since then all efforts have gone into turning the Drydocks into a paying concern. The increasing volume of work secured for the Drydocks, and the discipline and flexibility in manpower deployment cheerfully accepted by the workers, have resulted in vastly increased productivity. After several years of heavy losses the Drydocks attained a profitable trading position in 1973-74. The success achieved at the Drydocks has justified the Government's faith in this important enterprise and in the policy of direct participation by the workers in the management of the Corporation. The Government is accordingly implementing its undertaking to transfer control of the enterprise to the workers from a date to be determined by the workers themselves.

Manufacturing Industry

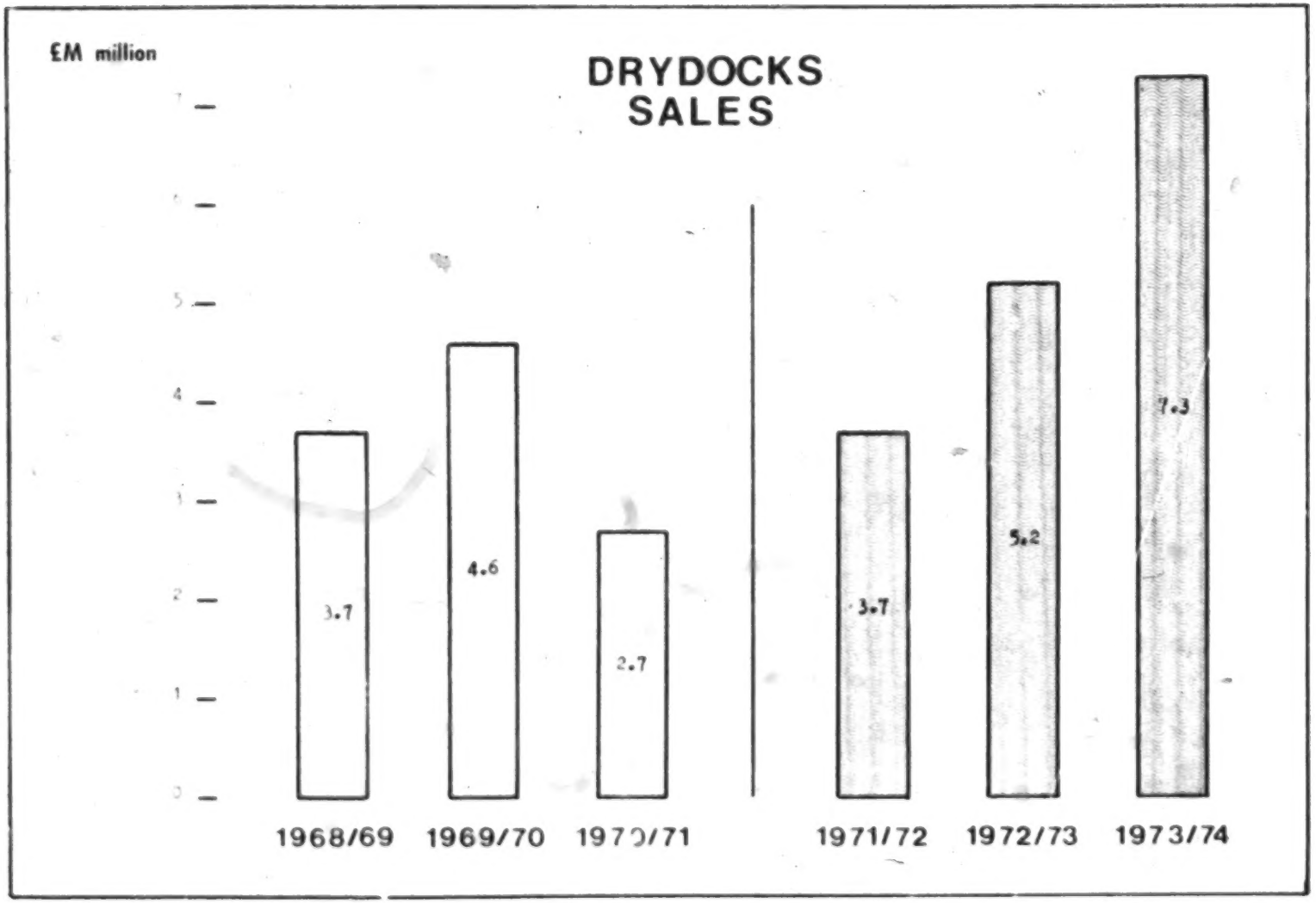
The Heritage in 1971

In 1971 manufacturing industry as a whole was in a poor state. Newly established industries, which should have been the pace-makers of growth, were in particularly poor shape, despite the exceptionally generous incentives which were made available at the time they were established. Indeed a large number of them were in financial distress. They were also having difficulties in securing markets for their exports, which meant that several of them were operating well below capacity.

The cause of the trouble was easy to diagnose. It was clear that both the content of the aids package, and the administration of incentive policies, had contributed to the setting up of lame industries. These industries had been attracted to Malta by the readily available aids and by the prospects of exploitation which these aids made possible. Quite a few, which had folded up or were in difficulties at that time, were industries which had been blatantly milked by the beneficiaries of the aids, or had been set up without sufficient analysis of their long-term commercial prospects.

Poor management and marketing difficulties were partly a reflection of the weaknesses inherent in an industrial structure generated by the easy aid hand-outs. The fault lay also in the failure to promote vigorously the sale of Maltese products abroad. An Association Agreement with the European Economic Community provided for a lowering of tariffs on goods which in the main were not produced in Malta. In respect of textiles — and the bulk of Malta's exports were such products — quotas virtually negatived the benefits of, and scope for, liberalization provided by the Agreement.

The Government took very active steps to attract to Malta, by expedients other than financial and fiscal incentives, industries which were suited to Malta's circumstances. The industries desired were those with the capacity to survive through their own inherent resources, to create


£M million
DRYDOCKS
SALES
5
4
3
2
1
0
3.7
4.6
2.7
3.7
5.2
7.3
1968/69
1969/70
1970/71
1971/72
1972/73
1973/74

jobs and skills, and to make a substantial contribution to Malta's overriding need to export manufactured and semi-manufactured products. To support these activities, the Government also embarked on a series of diplomatic and trade contacts designed to pave the way for increased Maltese sales abroad through a number of bilateral trade agreements. In the re-negotiation of the Common Market Agreement the Government's main concern was to have it enlarged in order to secure the setting up in Malta of industries capable of benefiting from lower tariffs. In the meantime the Government was doing all it could to strengthen Maltese industry by eliminating inefficient firms and by salvaging and strengthening those which had the potential for recovery.

The EEC Agreement

The Malta/EEC Agreement was no more than an enabling instrument. By itself, it could deliver neither the production nor the exports that Malta needed. While larger markets would obviously enable industry to benefit from economies of scale, these markets would have to be won and maintained on the merits of the products. The basic weakness of Malta's industrial sector was that it lacked home-based raw materials, entrepreneurial tradition, managerial talent and technological know-how. Even a drastic revision in Malta's favour could not change this situation unless the Common Market could be induced to help Malta equip herself to seize the opportunities which were being opened.

The Government, therefore, requested that the terms of the Agreement be improved in the following ways. Certain tariff quotas affecting the textile industry should be enlarged. This would enable more profitable use to be made of this important sector of Malta's existing industry. There should be a relaxation of the Rules of Origin, in view of Malta's present industrial structure and its heavy reliance on imported raw materials. Certain agricultural products should be allowed access to the Common Market under the reduced tariff arrangements. The Community should accept the commitment to co-operate with Malta in the building up of her strength. Co-operation would, apart

from benefiting Malta, be in the interest of the Community, because only a strong and self-reliant Malta can make a full contribution to the Community.

Malta asked for guidance in the identification of industries to be established; advice on how to rationalise small-scale enterprises and to adjust them to changing conditions; access to the relevant research and development institutions of the Community; and financial aid on soft terms to enable Malta to diversify and develop her industrial structure, and to change her fortress economy. Another proposal put to the Community was the request that Malta should have beneficial status under the Community's Generalised Scheme of Preferences. This has now been acceded to and the Community has agreed to grant Maltese goods tariff treatment no less favourable than that accorded to other developing countries.

Discussions are still proceeding on the main issues with a view to finding a basis on which mutually acceptable terms can be agreed.

New Incentives

In 1973 the Government introduced new investment incentives. The new package of incentives approaches inducements to industries in an entirely different manner. The new incentives support and reward success. Depreciation allowances, tax concessions on profits channelled back into investments, and other benefits presuppose operational viability. The new incentives also include a financial inducement in the provision of cheap finance through subsidies on bank loans.

Previously the attraction had been the financial bonuses that could be obtained through setting up industry in Malta. These gains were deemed necessary to counterbalance what were considered to be the inherent deterrents in Malta's situation - position, size, lack of industrial hinterland and so forth. The new policies rest on the assumption that Malta does not need to offer these gifts, and that Malta has enough intrinsic advantages to give new industries a reasonable expectation of profit.

Potential investors still benefit (possibly to a greater extent than before) from the very competitive local wage levels which are made possible by public expenditure on subsidies, as well as by the disciplined self-denial of Maltese workers. The change in industrial incentives, and the successes which have been reaped since then, clearly indicate that Malta's low wage level, and its structure, as well as the efficient control of food prices, are in themselves a powerful inducement to prospective foreign industrialists and do not require to be supplemented, either by direct public outlays or further sacrifices of tax revenue. The time has come when the foreign industrialist, benefiting from the advantages Malta provides, should be ready to share his profits with Malta and thus contribute to the revenue which sustains the physical and social infrastructure.

Protection of the Malta Pound

Until mid-1971 the Malta pound was maintained at par with sterling, with all the attendant dangers of such a policy. Malta's participation in the Sterling Guarantee Agreement moreover precluded the adoption of an independent reserve management policy. Under the Agreement Malta was obliged to maintain at least 75 per cent of her total official external reserves in sterling. Of these, only 90 per cent were guaranteed by the United Kingdom in terms of the US dollar. In spite of this limited guarantee the Nationalist Administration failed to take advantage of the permissible 25 per cent diversification ratio.

The potentially serious implications of this close link with the fortunes of sterling were immediately recognised by the present Government. Malta's experience at the time of the 1967 sterling devaluation was far from happy. Further trouble loomed ahead for sterling. It was also clearly seen that a country intent on increasingly diversifying its exports to different countries, and its imports from a growing variety of countries, would be penalised if its currency was pegged to just one of its trading partners.

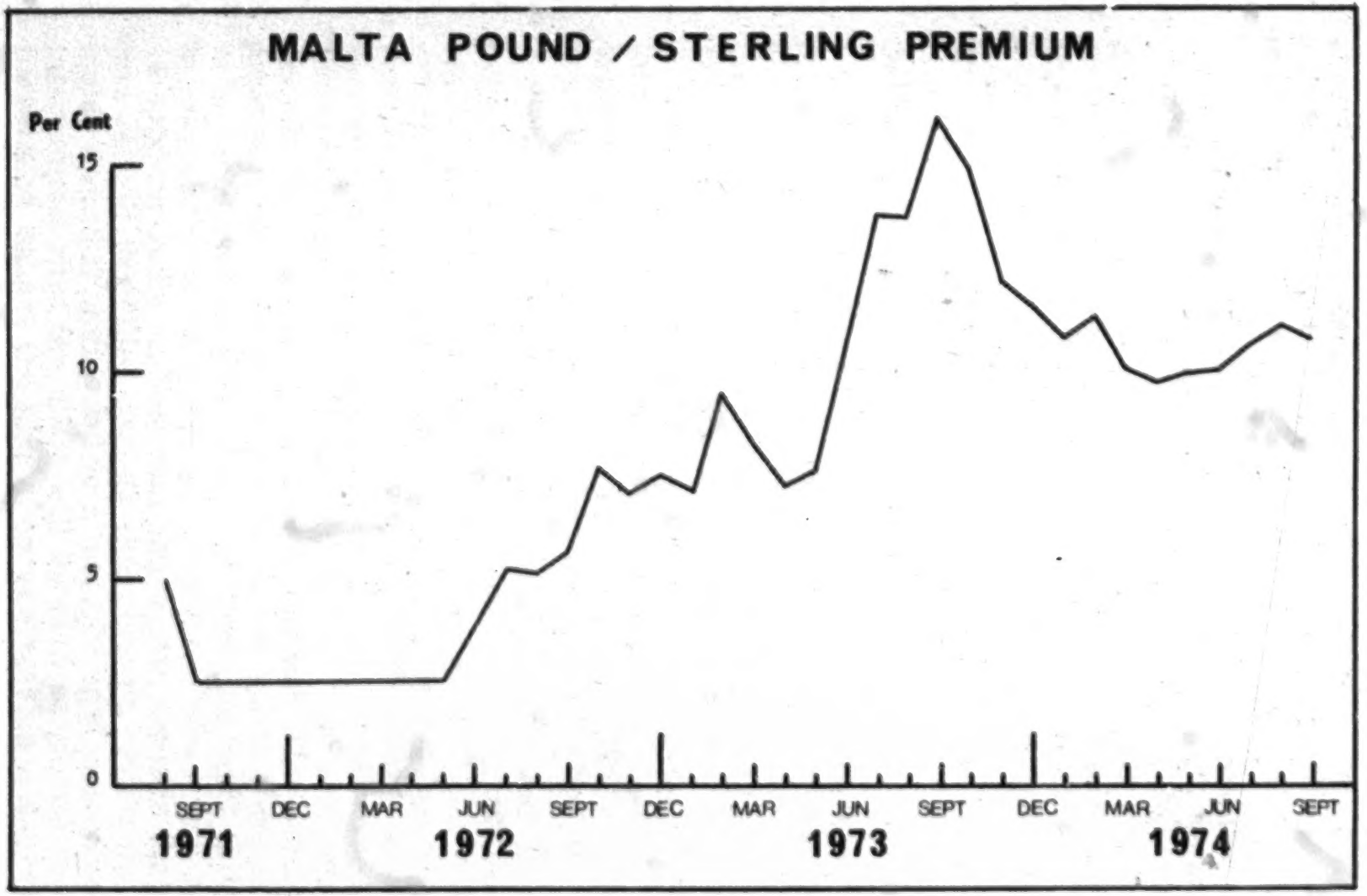
On taking office, therefore, the Labour Government immediately initiated a programme of reserve diversification,

in order to ensure that Malta's reserves would never again be put at risk by the fortunes of sterling. From only 15 per cent in June 1971 the non-sterling proportion of the reserves was raised progressively, as international market conditions permitted and safety considerations warranted, to 74 per cent at the end of 1973. The Government also took steps to break the automatic link of the Malta pound with sterling; after August 1971 the rate of exchange between Malta's currency and sterling was managed so as to ensure that the Malta pound was placed at a point between the prevailing rate of sterling and that of the currencies of Malta's major trading partners.

The exchange rate and reserve management policies adopted since 1971 have been successful in protecting the real purchasing power of the country's external reserves and have enabled Malta to minimize the impact of imported inflation without impairing competitiveness of exports. Foreign exchange receipts have been rising sharply from the 1970 level. In spite of the rising costs of imports Malta's overall balance of payments has improved. Until the oil crisis erupted Malta's small island community had thus been successfully insulated against rising world prices caused by the unsettled international monetary situation.

Manpower

In employment policy there are two basic differences from previous plans. Firstly, the Agreement with Britain provides for a controlled rundown of employment; this means that the Government is in a position to base its employment programmes on knowledge of what is going to happen in that sector. Secondly, the Government will not allow the unemployed to bear the brunt of the time lag between the launching of Plan policies and the creation of the productive activities which will provide the new jobs. Previous remedies in similar situations have been either massive emigration, which is unacceptable, or the absorption of some of the unemployed into Government Departments without need. The second alternative is as short-sighted and socially evil as the first. The Pioneer Corps has been set up to provide jobs for the unemployed, and to faci-


MALTA POUND / STERLING PREMIUM
Per Cent
15
10
5
0
SEPT
DEC
MAR
JUN
SEPT
DEC
MAR
JUN
SEPT
DEC
MAR
JUN
SEPT
1971
1972
1973
1974

litate their transition from productive employment on infrastructure in the public sector to directly productive tasks in industry.

Another policy that will contribute to the reduction of unemployment is the adaptation of the educational system to the changing needs of the economy and of Maltese society. Through the reforms introduced, and the greater emphasis placed on technical training at all levels, it is hoped that persons leaving schools in search of jobs will have the skills and the motivation to fill the new jobs being created.

Outline of Development Plan: August 1973

The Outline published in August last year gave an indication of the philosophy, strategy and tactics by which the Government would be guided. It contained the main targets which the Government would strive to achieve to enable Malta to maintain an independent way of life. Ample opportunity has been allowed since then for all interested parties to voice their opinions, criticisms and suggestions. In the light of these reactions the Government is now bringing out its full development prospectus.

Criticisms voiced about the Outline have, by and large, followed fairly predictable lines. Some valid, or at least arguable, points were made. For instance, one point concerned the seven-year duration of the Plan. It was suggested that for various reasons this was too long: while a seven year perspective was essential, in present circumstances, the period could be split up into shorter "working" plan periods. This is largely a matter of approach. The Government is planning for a seven year period, but this will not be a once-for-all exercise. The short-term dimension exists by way of the yearly budgetary procedures, which provide an opportunity for reassessment and review. There is therefore in-built flexibility through this periodic review. In a highly unsettled world, and in a fast moving domestic and international situation, there will be both scope and need for revision, change and adaptation, as events since last year have already demonstrated.

It has been suggested that the Plan puts the cart before the horse by giving the private sector a major responsibility for the implementation of the sectoral objectives, while not giving that sector sufficiently firm advance knowledge of how the infrastructural programmes are going to be tackled and when. This criticism may be the result of a misunderstanding.

In the Outline, and again in Chapter II which follows, it is stressed that there are three types of infrastructural works: works essential for Plan progress, which are given priority; those which must keep pace with progress, and will be so phased and undertaken; and those which have no immediate and direct bearing on productive activity and can therefore be subjected to discretionary phasing. Only the last group of projects will be used as regulators. This is not an inversion of the proper order; nor can it be accepted that it is a fallacious policy to phase infrastructure according to temporary troughs and peaks of economic activity. The policy on infrastructure has to be seen in its entirety.

There were those who questioned whether the Government, even in a mixed economy, ought to undertake directly productive activities in areas where the private sector normally operates. This is largely a misreading of the spirit of the Plan which, while indicating that the Government will be actively intervening in areas where the public interest or social policy requires such intervention, has stressed that the public sector will be playing a complementary role in the setting up of industrial and other productive ventures; ready to let private enterprise seize its opportunities, but also ready to step in when lack of response undermines Plan progress. There is room for both private and public initiative. Malta will continue to be a mixed economy in which public and private ownership can fruitfully coexist and complement one another to mutual advantage.

The challenges ahead are challenges which the whole nation must meet. Full and strong popular backing for the Plan is imperative. The Government has endeavoured to produce a Plan based on consensus: a Plan drawn up with full awareness of what the various sections and interests of the Maltese community feel, but also with full recognition that it is, in the last resort, the Government's responsibility

to steer the course which will achieve the desired economic and social ends. The intention is to mobilise from all sections of the community support and enthusiasm for the achievement of shared aims.

Progress 1971-73

The various measures taken since 1971 were designed both to lay the foundations for coherent development policies and efforts, and to set in motion the recovery and regeneration of Malta's economy. The Plan covers a time span from 1973 to 1980, but all the efforts and actions so far have been motivated by the same overriding purpose, of attaining self-reliance by 1979.

Great progress has been made since 1971. There has been a remarkable recovery in all growth sectors. The Drydocks, which were on the verge of total collapse, have been completely revitalised and put on a commercially viable basis. This achievement has exceeded the expectations and predictions of all experts who were brought out to advise on the rehabilitation of the enterprise. The Drydocks realised a profit in financial year 1973/74, and the prospects for 1974/75 are even better. This was the result of an unprecedented degree of self-discipline and of a considerable effort, inspired by a sense of participation, by the workers.

Manufacturing industry has also been resilient beyond all expectation, raising gross output from £M41 million in 1971 to £M62.9 million in 1973. Exports of manufactured products were £M14.2 million in 1971 (as against £M10.9 million in 1970). They rose to £M30.9 million in 1973. Tourism has been another success, with the number of tourists coming to Malta in 1973 the highest on record and vastly in excess of the previous best year (1969). Even here the trend indicates better results for the future. Income per head is rising, Malta's budget and balance of payments are in better shape than ever, and Malta's currency is strong and backed by a powerful array of diversified foreign exchange reserves. Foundations have been laid for a better, more compassionate, society. Total employment is rising, social welfare services have become more responsive to needs, and the quality of life has improved.

This progress gave good grounds for hope that the stage had been reached where the fruits of Malta's material growth, achieved since 1971, could begin to be enjoyed. The measures taken by the Government had already enabled Malta to enjoy some increase in wages and incomes, and some improvement in the standard of the social services. This was achieved by a prudent financial policy which, in the light of a sense of social priorities, permitted the Government both to restore financial balance and to put in reserve a substantial part of its available resources.

Impact of Energy Crisis, Commodity Scarcities and World Inflation: Threat and Challenge

At the end of 1973 a series of crises hit the Maltese economy. Shortage of raw materials and food, rapidly rising prices, the disarray of the international currency markets and the instability of the world monetary system made it necessary to review radically the situation. These new events and forces threatened the whole international economic order and, inevitably, they affected the prosperity of Malta which till then had been set on a fair course.

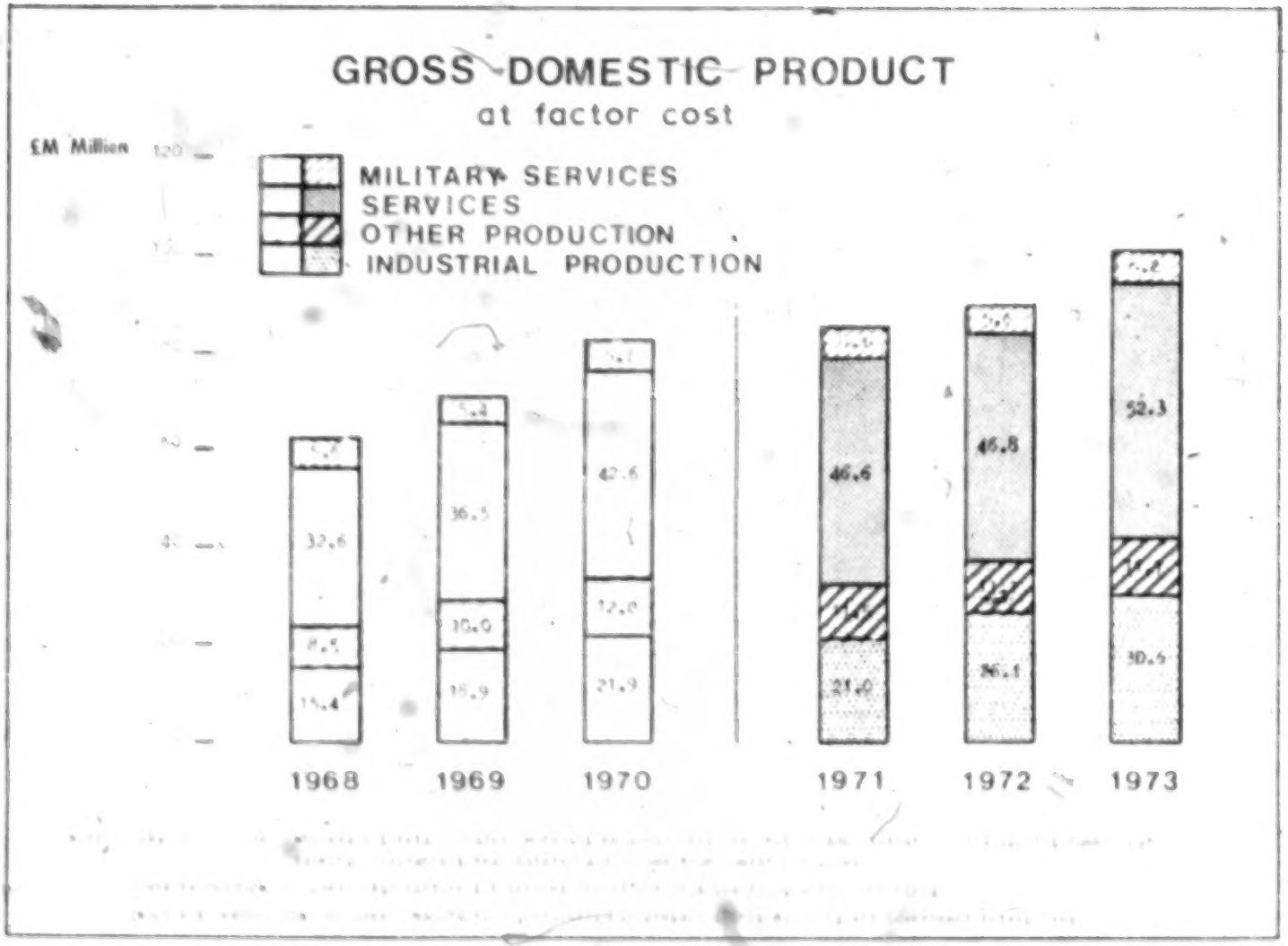
The energy crisis and the scarcity of other essential materials and foodstuffs hit Malta in a number of ways. They have depressed her healthy balance of payments position and widened considerably the trade gap while also raising the domestic price level. They have imposed heavier burdens on the Government's revenue through increased subsidies. Raw material supplies without which Malta's industrial society cannot exist have become more difficult to secure. In the longer run, they threaten a world recession or trade restrictions which could damage Malta's export prospects.

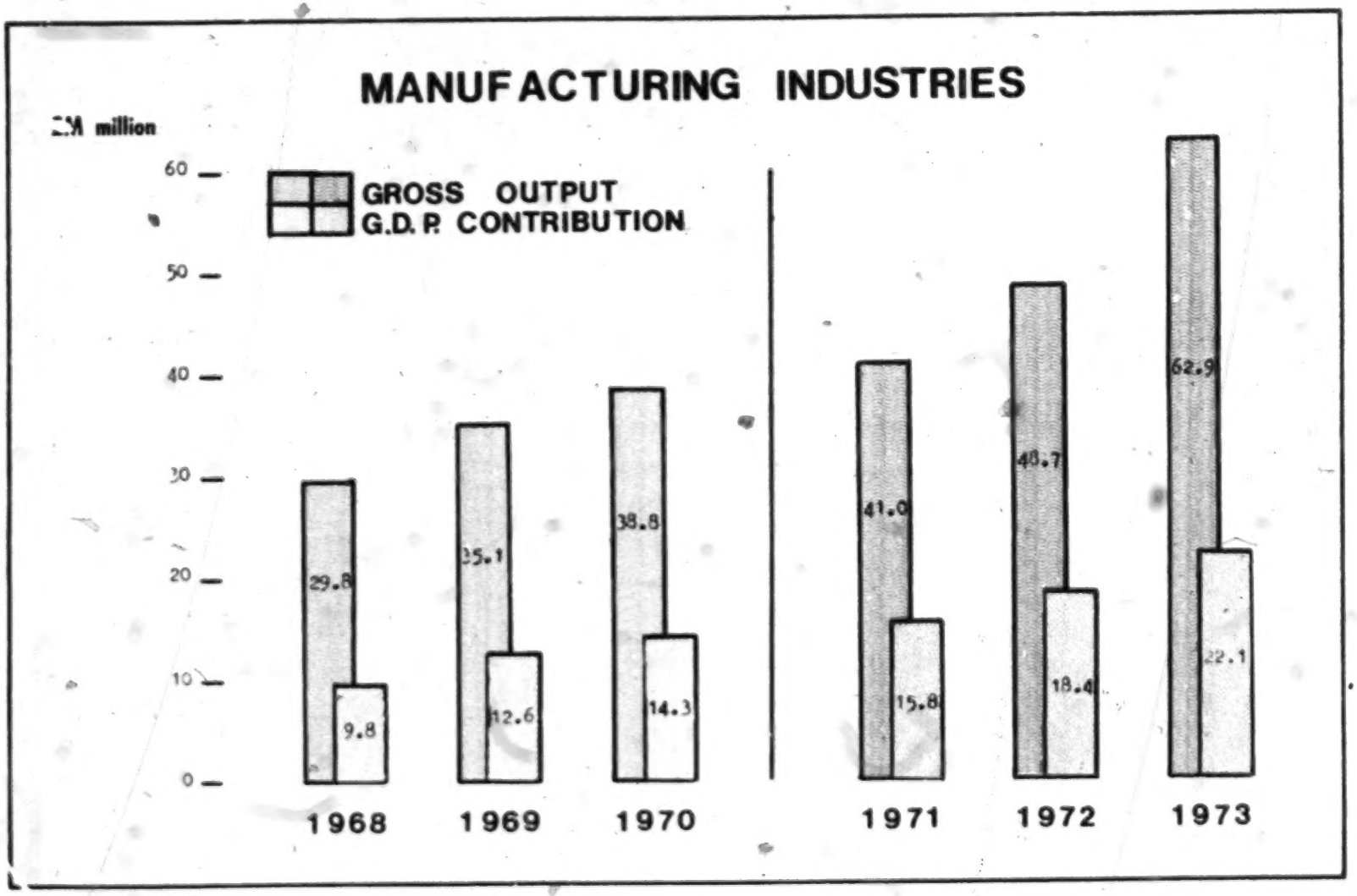
Malta does not enjoy the advantages of some other countries. Developing countries which possess raw materials, the prices of which have risen, can offset the higher costs of imported fuels through higher export earnings. Many developed countries have access to alternative sources of energy which give them a range of options. Malta has neither export commodities to compensate for higher imported fuel costs nor alternative sources of energy.

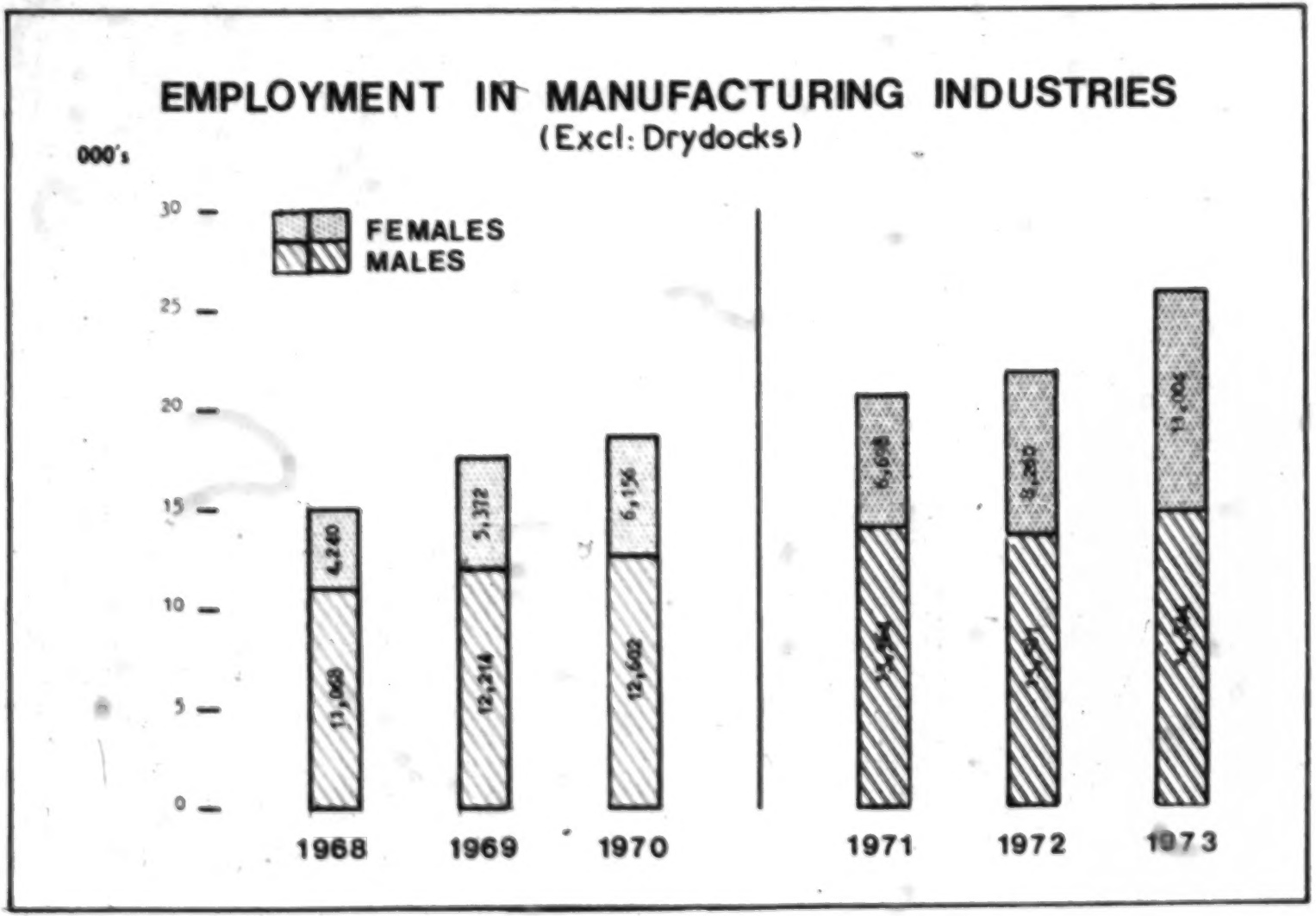
Malta is dependent on imports to the extent of nearly half of her total requirements of goods and services. Even if export prices move in step with import prices, higher import prices would hit Malta hard because she imports nearly a third more than she exports. The trade gap is vulnerable as a result. If, in addition to this, the terms of trade deteriorate, Malta has to produce and sell more exports for the same volume of imports, or receive fewer imports for the same volume of exports.

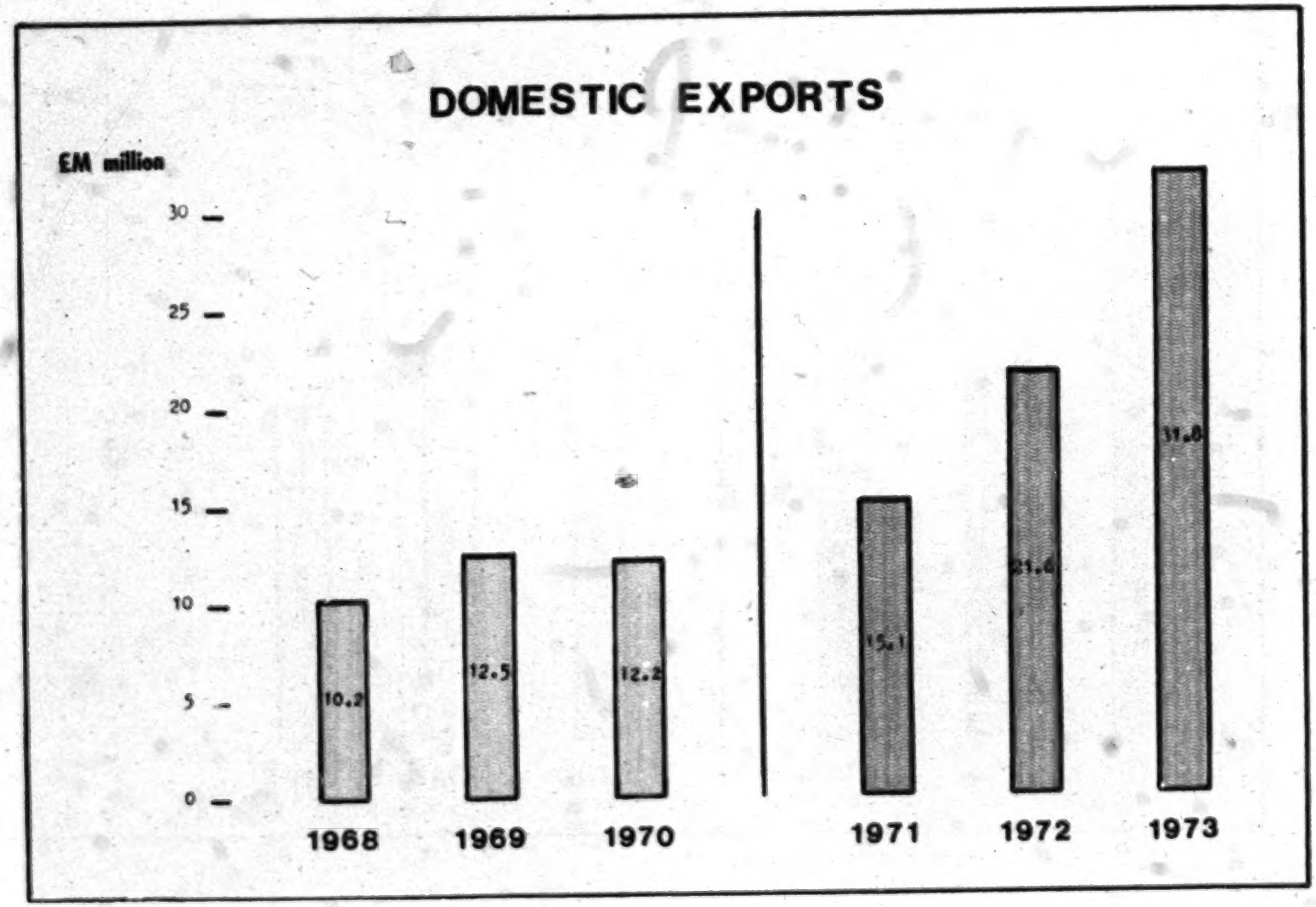
At the same time, Malta has certain advantages in riding the storm. Malta's economy and her exports are labour-intensive, not energy-intensive, and labour remains an asset of growing importance. Being small, Malta can raise her exports without having to fear drastic retaliatory action by trade competitors. Small size, and a labour-based economy, can be used to advantage in an age when giant blocs, heavily dependent on high energy consumption, confront one another. Moreover, the compactness of institutions, the political and social awareness of the people and the ability to adapt speedily to new circumstances give Malta an enormous advantage over bigger but much more heterogeneous communities.

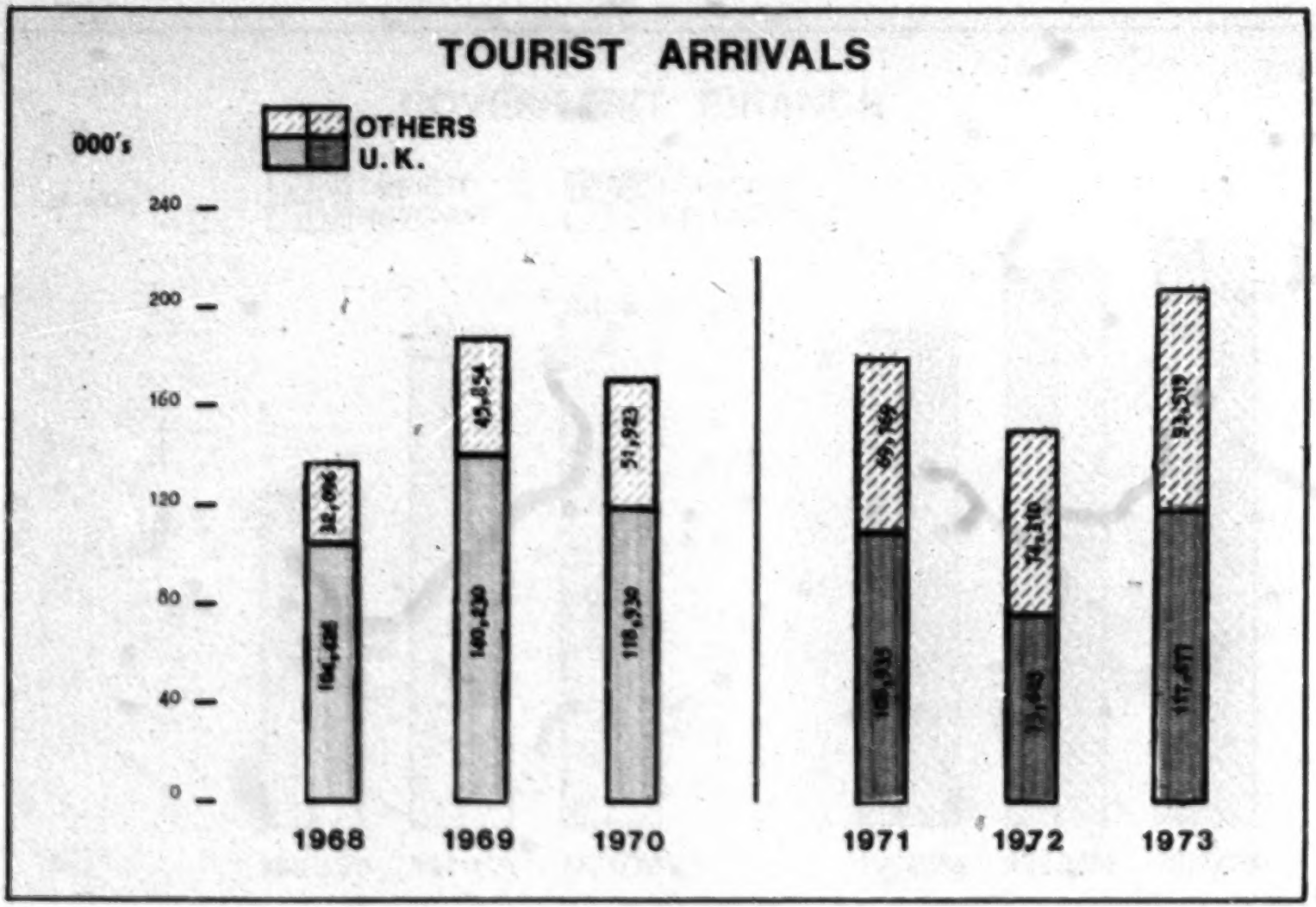
It will not be an easy task to adjust to the present situation although, by autumn of 1974, Malta already shows signs of having successfully passed through the worst of the energy crisis. The problems ahead are still very formidable. They will be tackled through greater Government involvement designed to counteract the effect of adverse trends abroad; by a more vigorous export drive; by efficient import substitution; by control of the domestic price level; and by a humane and sensitive welfare policy to minimise the impact on the Maltese people of more storms originating abroad. These can now be faced with confidence. Past achievements have put Malta in a better position to do so, and are evidence of what can be done. Malta's greatest asset is the fact that today the nation, as a result of its successful performance, has acquired self-confidence and will cheerfully make every effort required to meet the challenges ahead.

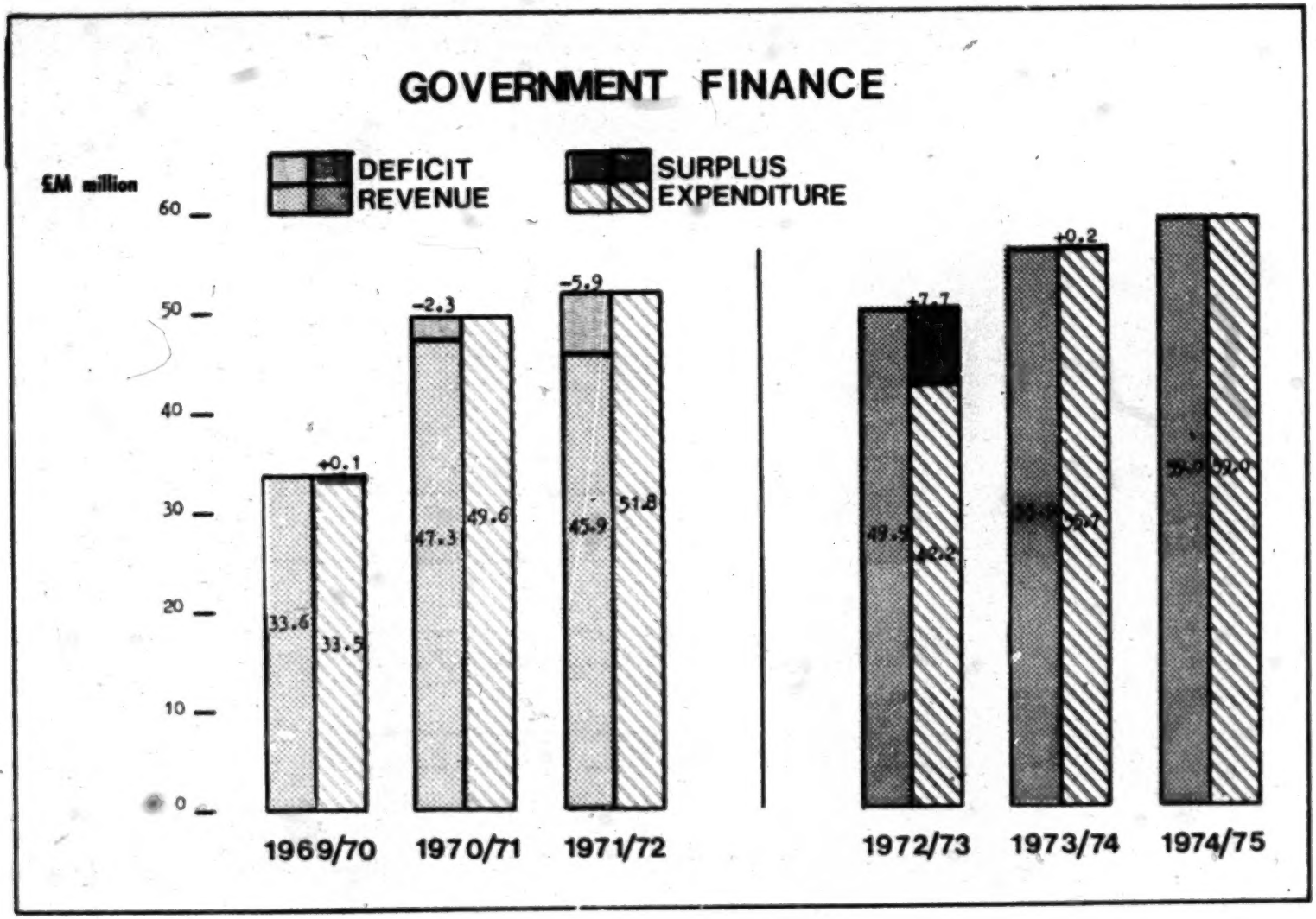

GROSS DOMESTIC PRODUCT
at factor cost
£M Million
MILITARY SERVICES
SERVICES
OTHER PRODUCTION
INDUSTRIAL PRODUCTION
32.6
36.5
42.6
46.6
46.8
52.3
1968
1969
1970
1971
1972
1973

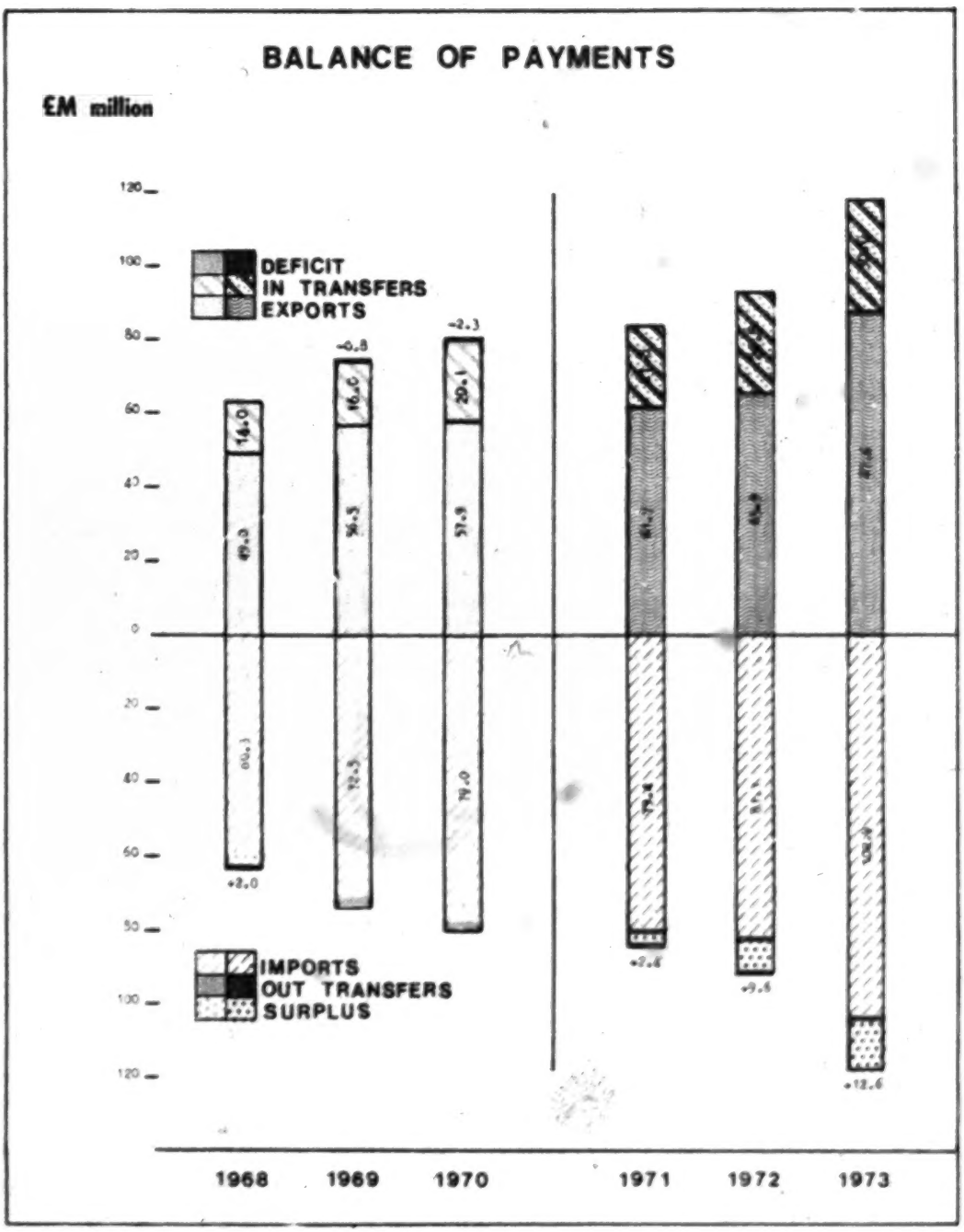

MANUFACTURING INDUSTRIES
$M million
GROSS OUTPUT
G.D.P. CONTRIBUTION
60
50
40
30
20
10
0
29.8
9.8
35.1
12.6
38.8
14.3
41.0
15.8
48.7
18.4
62.9
22.1
1968
1969
1970
1971
1972
1973

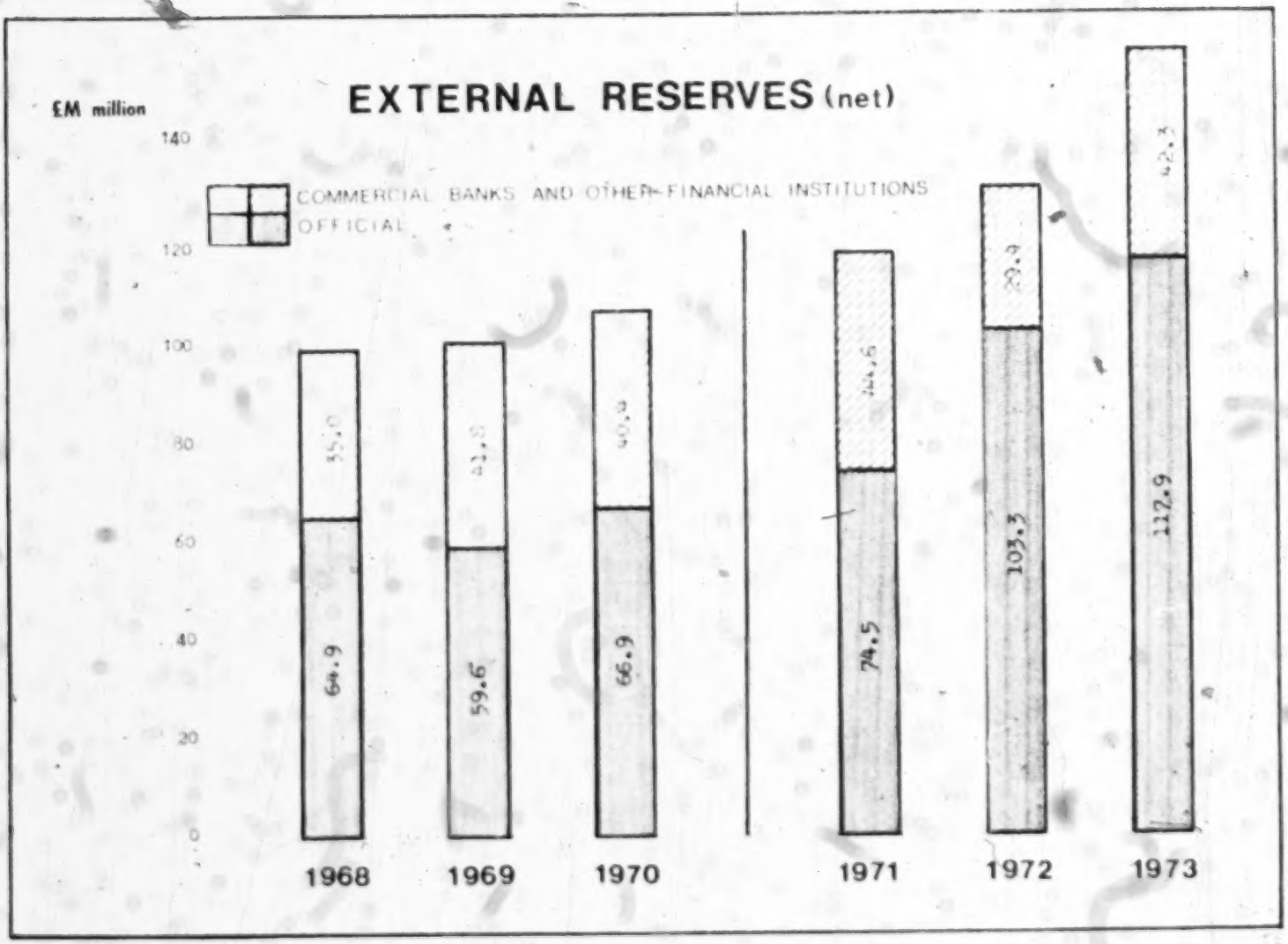

EMPLOYMENT IN MANUFACTURING INDUSTRIES
(Excl: Drydocks)
000's
30
25
20
15
10
5
0
FEMALES
MALES
4,240
13,068
5,372
12,314
6,156
12,602
6,618
8,260
1968
1969
1970
1971
1972
1973

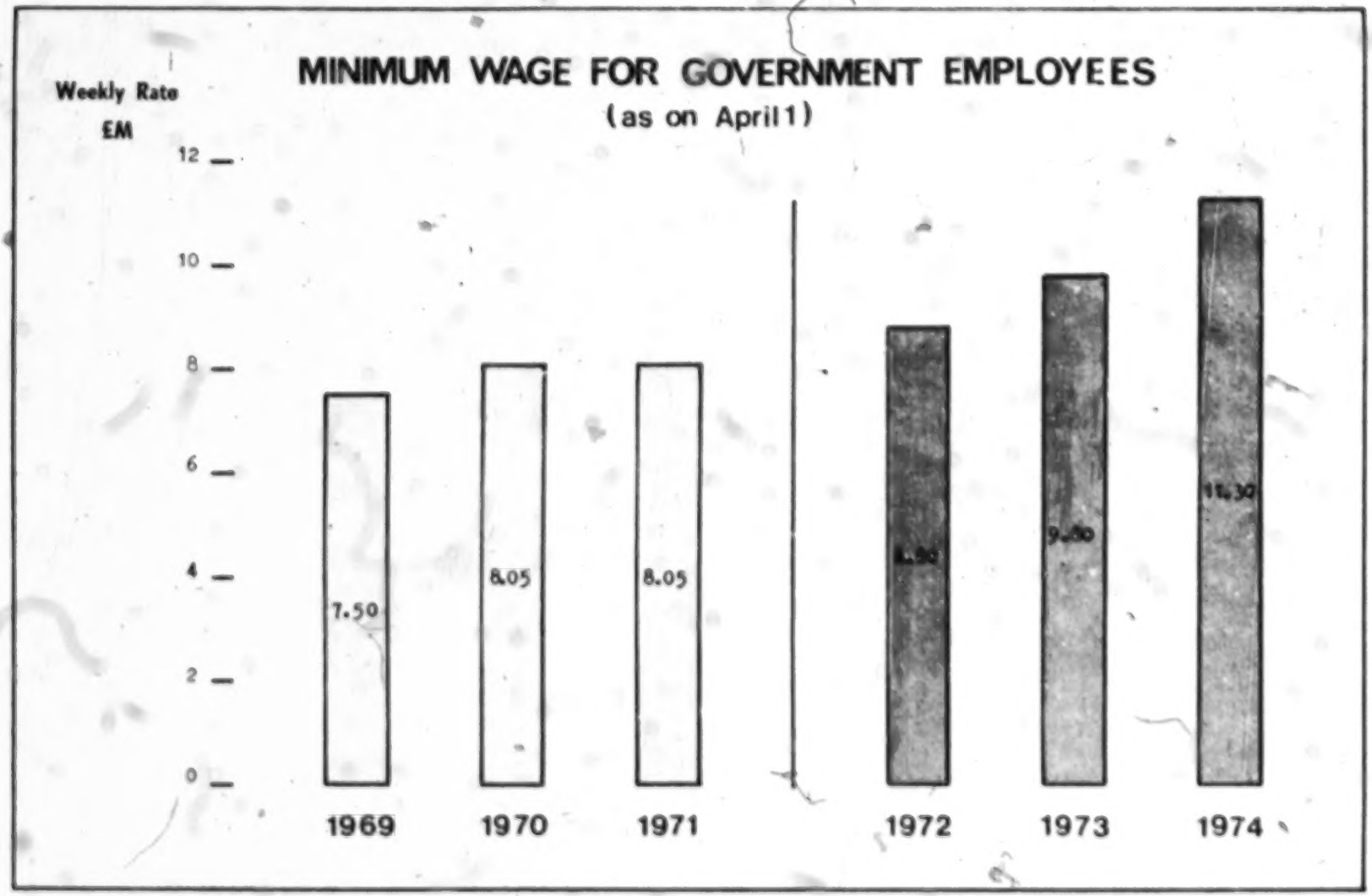

DOMESTIC EXPORTS
£M million
30
25
20
15
10
5
0
10.2
12.5
12.2
15.1
21.6
31.8
1968
1969
1970
1971
1972
1973

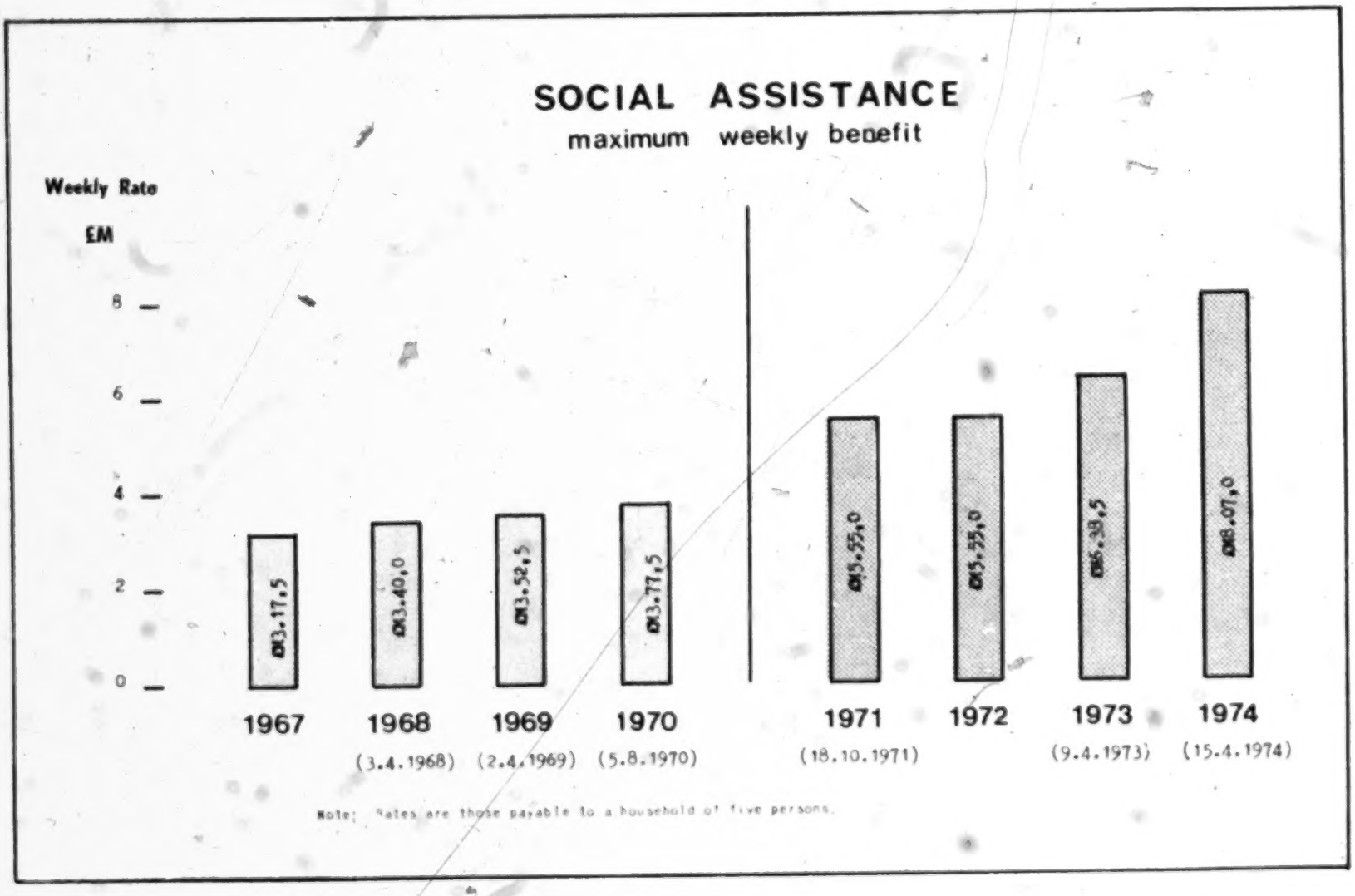

TOURIST ARRIVALS
000's
OTHERS
U.K.
240
200
160
120
80
40
0
1968
1969
1970
1971
1972
1973

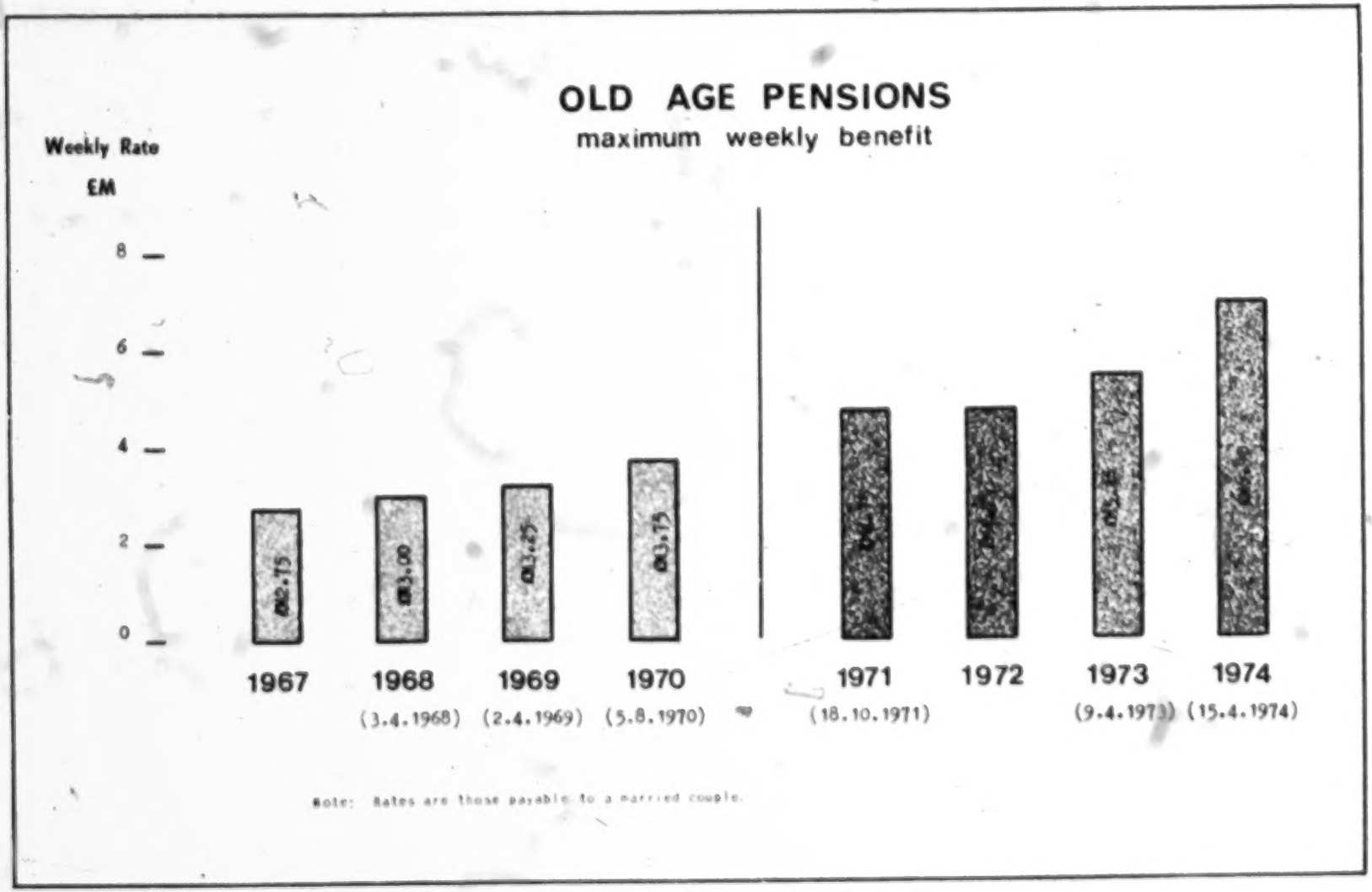

GOVERNMENT FINANCE
£M million
DEFICIT
REVENUE
SURPLUS
EXPENDITURE
60
50
40
30
20
10
0
+0.1
-2.3
-5.9
+7.7
+0.2
33.6
33.5
47.3
49.6
45.9
51.8
49.9
52.2
52.0
1969/70
1970/71
1971/72
1972/73
1973/74
1974/75

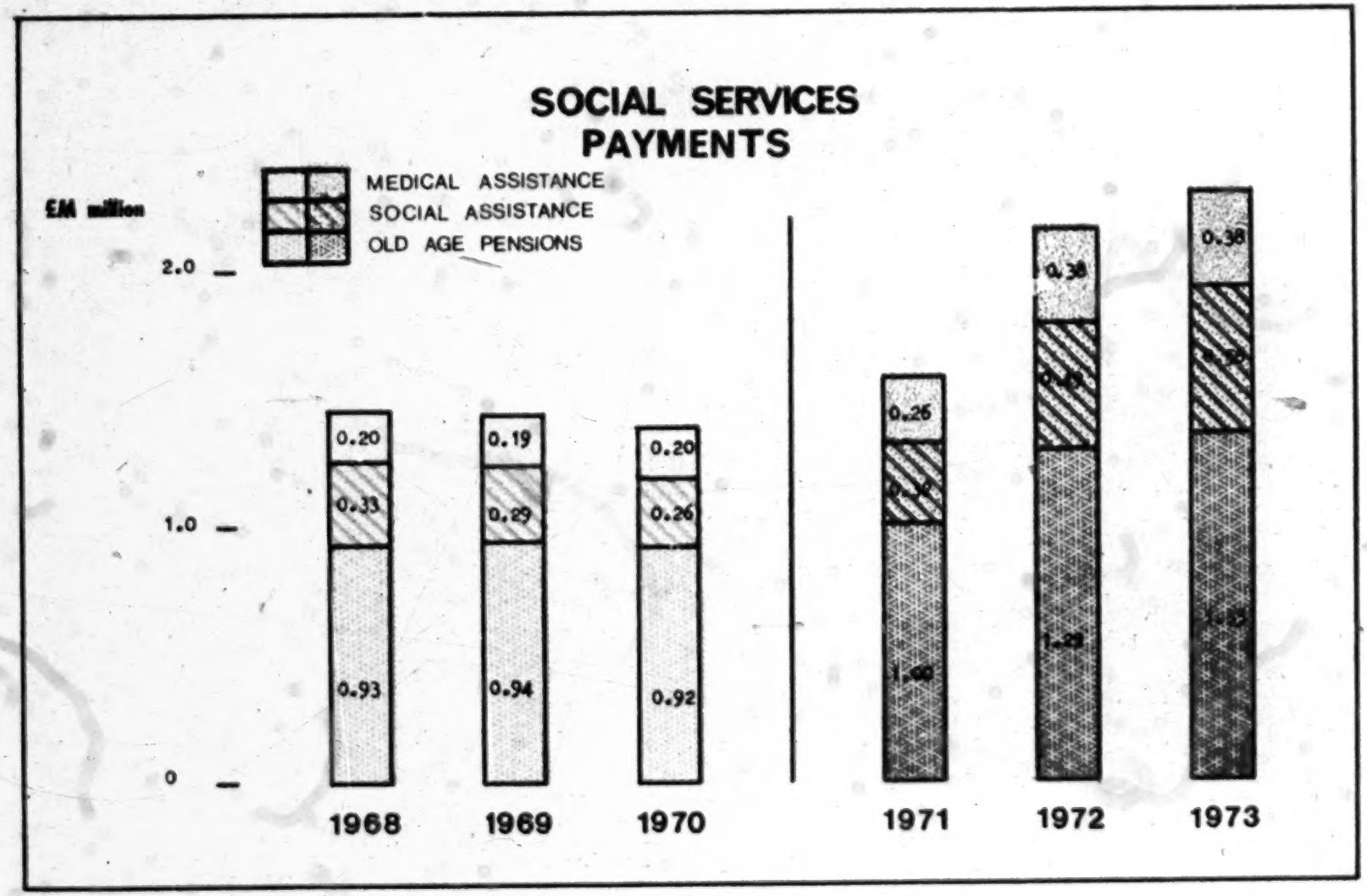

BALANCE OF PAYMENTS
£M million
DEFICIT
IN TRANSFERS
EXPORTS
IMPORTS
OUT TRANSFERS
SURPLUS
1968
1969
1970
1971
1972
1973

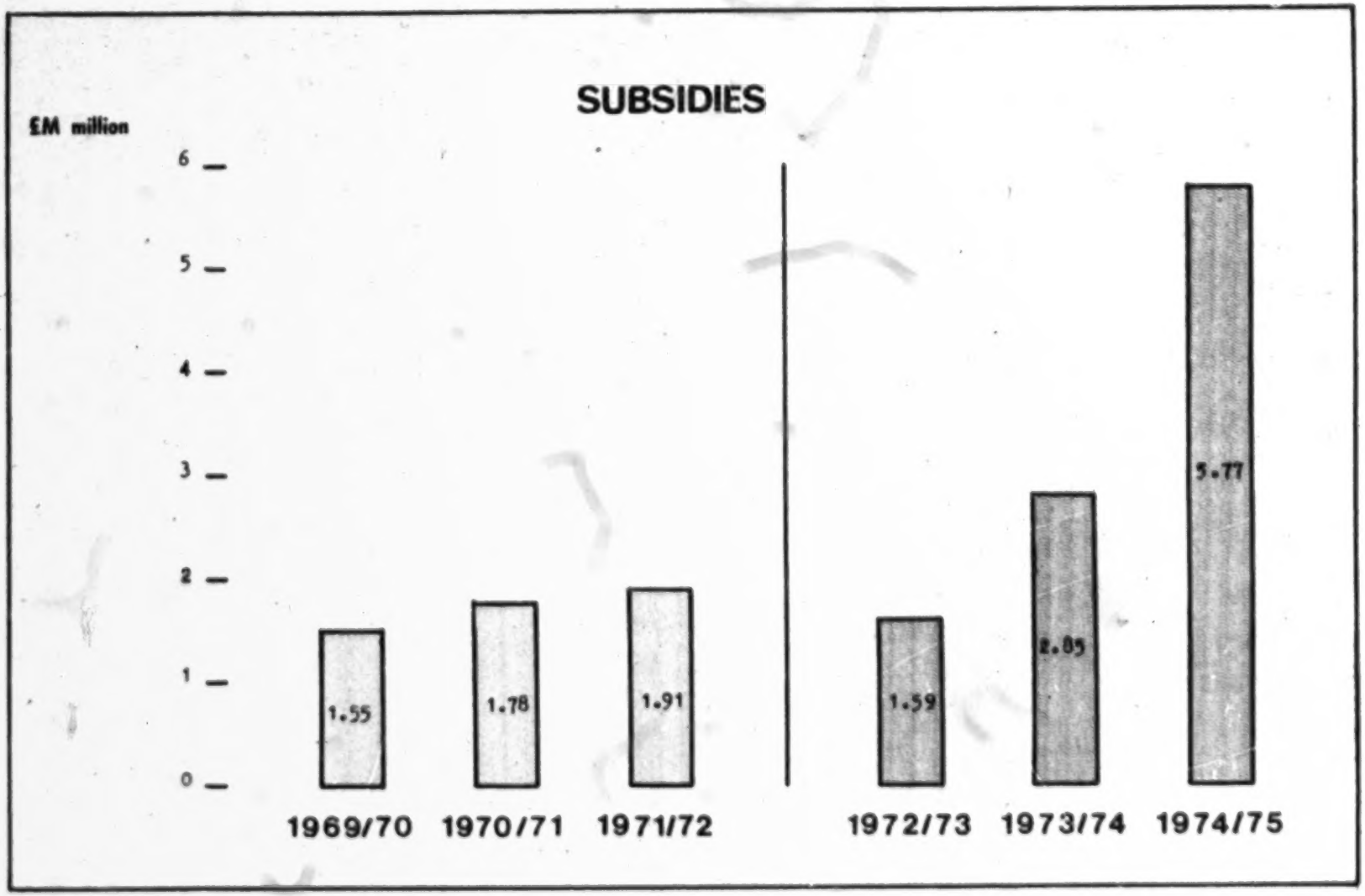

EXTERNAL RESERVES (net)
£M million
140
120
100
80
60
40
20
0
COMMERCIAL BANKS AND OTHER FINANCIAL INSTITUTIONS
OFFICIAL
55.0
64.9
43.8
59.6
40.8
66.9
44.6
74.5
29.9
103.3
42.3
112.9
1968
1969
1970
1971
1972
1973


MINIMUM WAGE FOR GOVERNMENT EMPLOYEES
(as on April 1)
Weekly Rate
£M
12
10
8
6
4
2
0
7.50
8.05
8.05
9.30
11.30
1969
1970
1971
1972
1973
1974


SOCIAL ASSISTANCE
maximum weekly benefit
Weekly Rate
£M
8
6
4
2
0
£3.17,5
£3.40,0
£3.52,5
£3.77,5
£5.55,0
£5.55,0
£6.38,5
£8.07,0
1967
1968
(3.4.1968)
1969
(2.4.1969)
1970
(5.8.1970)
1971
(18.10.1971)
1972
1973
(9.4.1973)
1974
(15.4.1974)
Note: Rates are those payable to a household of five persons.


OLD AGE PENSIONS
maximum weekly benefit
Weekly Rate
£M
8
6
4
2
0
£2.75
£3.00
£3.25
£3.75
1967
1968
(3.4.1968)
1969
(2.4.1969)
1970
(5.8.1970)
1971
(18.10.1971)
1972
1973
(9.4.1973)
1974
(15.4.1974)
Note: Rates are those payable to a married couple.


SOCIAL SERVICES PAYMENTS
£M million
MEDICAL ASSISTANCE
SOCIAL ASSISTANCE
OLD AGE PENSIONS
2.0
1.0
0
0.20
0.33
0.93
0.19
0.29
0.94
0.20
0.26
0.92
0.26
0.38
0.38
0.38
1968
1969
1970
1971
1972
1973


SUBSIDIES
£M million
6
5
4
3
2
1
0
1.55
1.78
1.91
1.59
2.85
5.77
1969/70
1970/71
1971/72
1972/73
1973/74
1974/75

CHAPTER II

PLAN OBJECTIVES AND STRATEGY

Political Objectives

The Labour Government is determined that Malta shall find her true identity and place in the community of nations. Malta will do this by discarding the centuries-old role of a fortress in the interests of a long succession of imperialist powers, by disengaging from power-bloc affiliations, and by dedicating herself to economic and social progress through peaceful collaboration with all. This has not hitherto been possible, and will not be possible as long as the economy of Malta, and the livelihood of the Maltese people, remain dependent on the continuing existence of a foreign military base.

The Government's first duty is to safeguard the legitimate interests of the country, and it believes that this task is best served by working together with friendly nations through mutually advantageous policies, programmes and projects. No constitutional charter alone can guarantee independence.

Economic Objectives

One of the primary objectives of the Plan is to increase Malta's productive activities to an extent which would make it possible for Malta to dispense after 1979 with the economic returns accruing from defence arrangements negotiated with foreign powers.

This will be achieved by a balanced build up of the productive sectors, which will generate jobs for virtually all who seek them, so that there will be a corresponding reduction in compulsory emigration. The aim of the Government is to accelerate the industrialisation of society. In the modern context an industrial society is one in which industrial activities set the pace, and the service sector plays a complementary role.

Malta's main priority must be to earn enough foreign exchange to pay for her massive and growing imports. The bulk of these earnings must come from activities in manufacturing, ship-repair and ship-building, and agriculture, supplemented by earnings from tourism, although the growth potential of this sector is constrained by both physical and social limits. The rest of the services sector will, in the new Maltese industrial society, cater for Malta's own commercial and other domestic needs, which will become more varied as the standard of living improves.

The economic purpose of the Plan is to secure the country's self-reliance and self-determination through diversified relationships with other countries, far and near, so that no single country's policies or economic misfortunes can seriously affect Malta's welfare.

Social Objectives

The Plan contemplates a steady improvement in the living standards of the people within the limits of available resources. This will be made possible by economic expansion and social reform. Society is a single whole, and all parts are closely related to others. The division into political, economic and social objectives is ultimately arbitrary. There is an organic unity in all the objectives of the Plan. The Plan expressly recognises that the ultimate objective of development must be to bring about a sustained improvement in the well-being of all, and especially those who, through illness or other misfortune, cannot without help from the State secure a fair share of the fruits of economic progress. If undue privilege and social injustice persist, development will only accentuate inequalities and social unrest will eventually jeopardise all economic gains.

Flexibility

The Maltese Islands are heavily dependent on international trade. Planning in Malta must therefore be particularly flexible. Flexibility means the creation and

encouragement of attitudes and institutions that are capable of making good use quickly of a favourable turn of events in the world economy, and of adjusting speedily to unfavourable circumstances. To make flexibility possible the Plan aims at a diversified economy and at reserves of various kinds to be drawn upon for unforeseen requirements. Flexibility also means devising alternative strategies for the objectives that have been set and keeping continually abreast of developments at home and abroad.

The overriding need to adapt to outside events, most of which are outside the control of Maltese citizens and their Government, implies a preparedness to discard traditional ways when these do not meet present-day needs. There must be a readiness to oppose vested interests, and cheerful willingness to abolish harmful restrictive practices, demarcation lines or rigidities inherited from the past. At the same time, adjustments must be made in a manner which does not benefit one group of citizens at the expense of others. Change will be acceptable only if all share in its hardships and its benefits, and are clearly seen to do so. Only a united society is an adaptable society.

Plan Targets

The main Plan targets are the following:

(a) The Plan will be providing around 20,600 new jobs between 1973 and 1979. These jobs will be required to replace employment lost as a result of the progressive run-down by the British Base, to cater for the anticipated increase in the labour force and to reduce unemployment to the absolute minimum. The aim will be to achieve and maintain full employment for males and to increase female participation from the 1973 rate of 29.5 per cent to about 35.5 per cent.

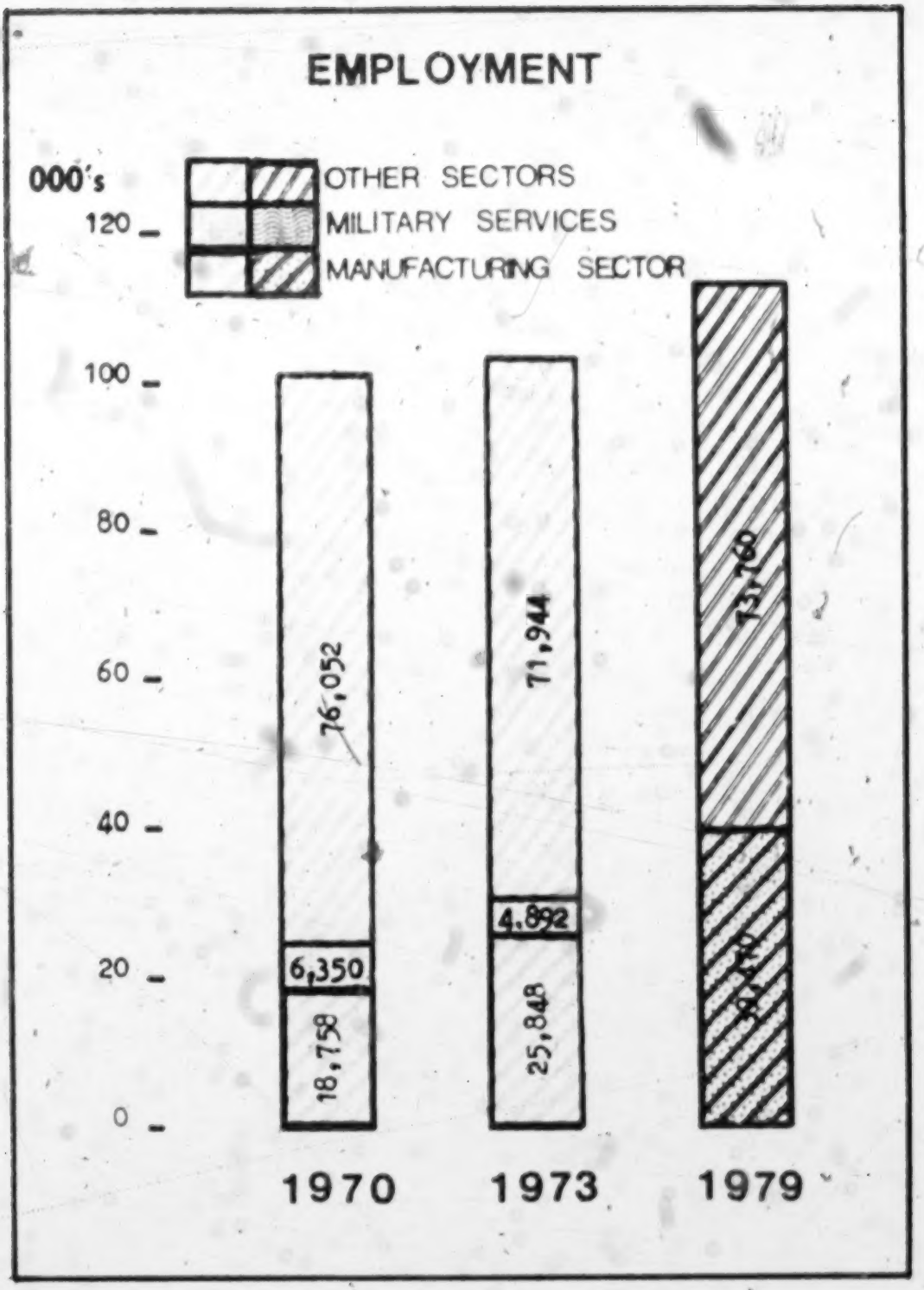
(b) These jobs will be largely provided in manufacturing industry, which will grow through a corresponding increase in exports and a desirable measure of import substitution. The aim is to increase

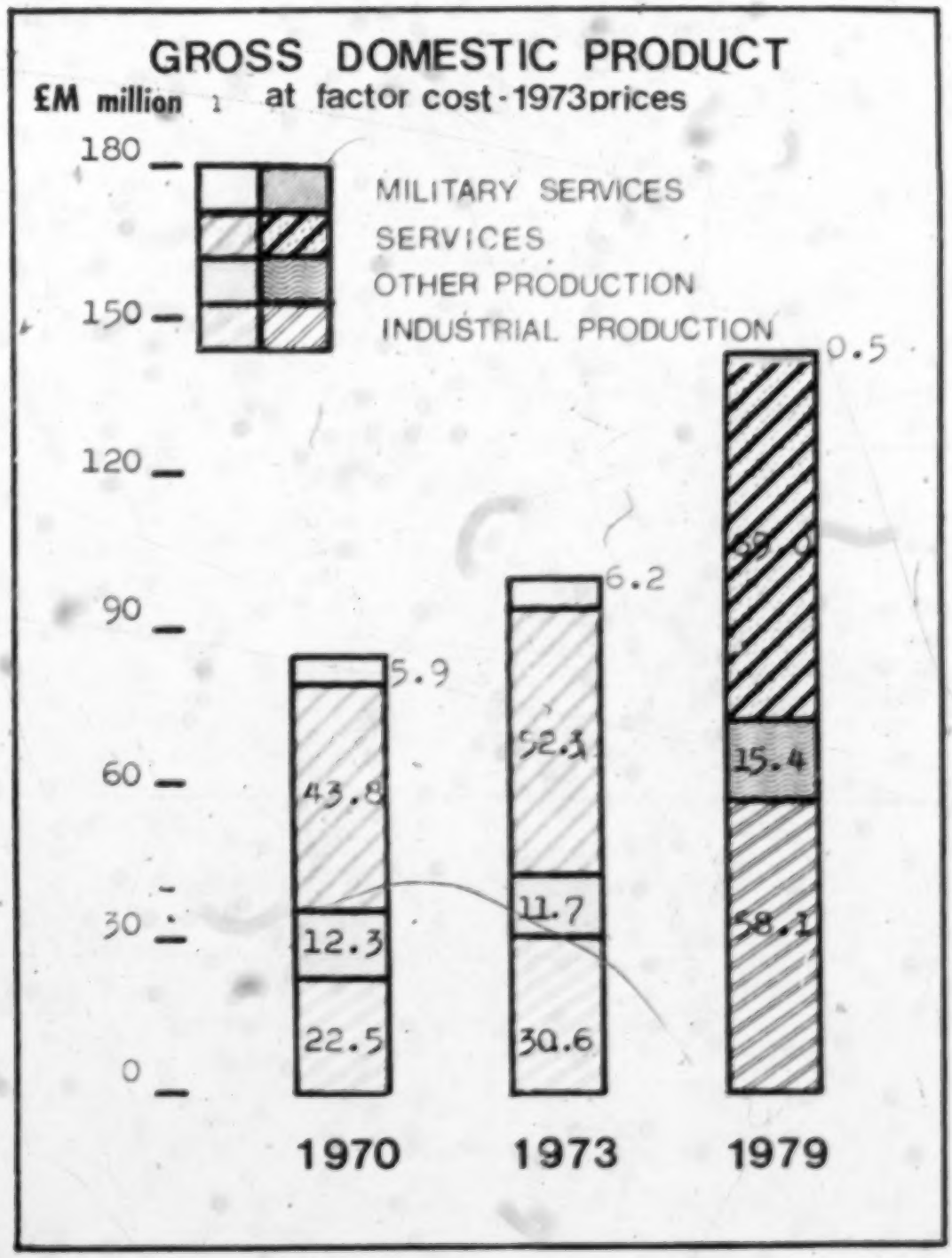
the volume of exports of goods and services, excluding services to the British military base, at an average annual rate of 12 per cent. It is estimated that the growth in the volume of imports of goods and services required to meet production, investment and consumption needs can be contained within a rate of 7 per cent per year.

(c) A major objective is to achieve a balance in the foreign payments account. On present reckoning there will still be an adverse balance on goods and services account in 1979, but this balance should be covered by the expected inflow of transfer income, by flows of investment capital and other long-term capital transfers.

(d) The total direct and indirect investment, estimated to be required for full employment and economic viability, is of the order of £M213 million at 1973 prices, or about £M10,000 per job. The major part of this capital will be made available by domestic savings. Public spending in the capital sector will be so regulated as to ensure that, along with private investment, the pace of economic development will be maintained to keep the Plan on course at any particular time.

(e) Gross Domestic Product is expected to grow in real terms at an average annual rate of 6 per cent. A high rate of increase in Gross Domestic Product by itself should not, however, be the overriding aim of development since growth of GDP is neither the appropriate aim nor an adequate measure of real development. It does not necessarily reflect changes in the quality of life, improvements in education, the diversity and satisfaction of work, increased social equality or greater national cohesion and independence.


EMPLOYMENT
000's
120
100
80
60
40
20
0
OTHER SECTORS
MILITARY SERVICES
MANUFACTURING SECTOR
76,052
6,350
18,758
71,944
4,892
25,848
73,760
1970
1973
1979


GROSS DOMESTIC PRODUCT
£M million at factor cost - 1973 prices
MILITARY SERVICES
SERVICES
OTHER PRODUCTION
INDUSTRIAL PRODUCTION
180
150
120
90
60
30
0
5.9
43.8
12.3
22.5
6.2
52.3
11.7
30.6
0.5
39.0
15.4
58.1
1970
1973
1979

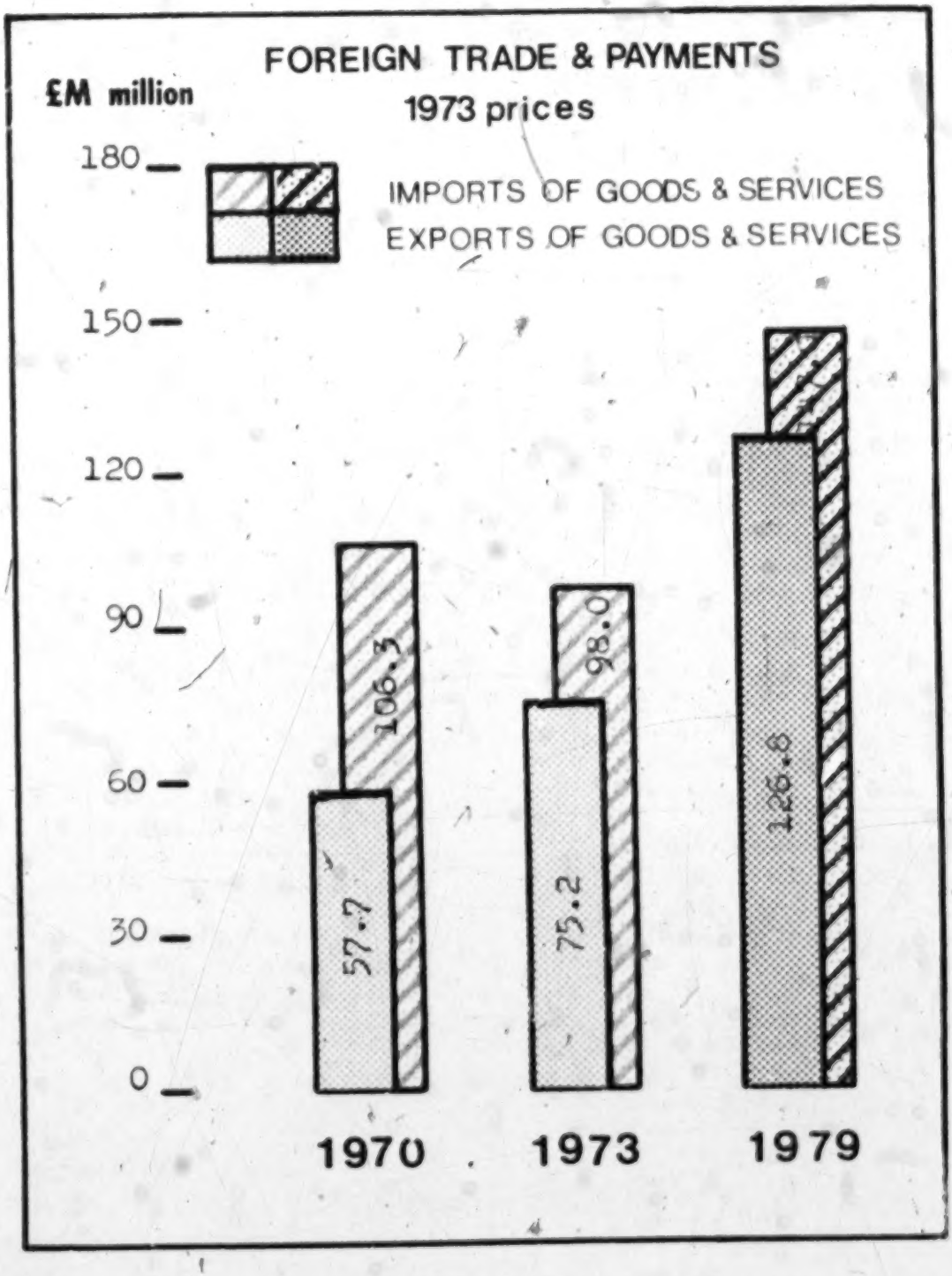

FOREIGN TRADE & PAYMENTS
1973 prices
£M million
180
150
120
90
60
30
0
IMPORTS OF GOODS & SERVICES
EXPORTS OF GOODS & SERVICES
57.7
106.3
75.2
98.0
126.8
1970
1973
1979

Table II 1

PAST PERFORMANCE AND PLAN TARGETS

	1970	1973	Change 1970/73	1979	Change 1973/79
A. POPULATION AND EMPLOYMENT			Absolute		Absolute
Maltese Population	302,780	298,250	−4,530	295,300	−2,950
Gainfully occupied (1) ..	101,160	102,685	1,525	113,230	10,545
Unemployment	4,962	4,823	− 139	2,670	−2,153
Employment in:					
Manufacturing Industries	18,758	25,848	7,090	39,470	13,622
Military Base Departments	6,350	4,892	−1,458	—	−4,892
B. NATIONAL INCOME AND EXPENDITURE (1973 prices)			Annual % Rate		Annual % Rate
GNP at factor cost £M m.	92.2	108.3	5.7	152.0	5.8
GNP per capita £M	305	363	5.9	515	6.0
Consumption £M m.	95.5	100.0	1.5	128.0	4.2
Gross Investment £M m.	37.6	23.6	−14.4	35.2	6.9
C. OUTPUT (1973 prices)					
GDP at factor cost £M m.	84.5	100.8	6.0	143.0	6.0
Contribution by:					
Production and Trade Sectors £M m.	61.5	71.3	5.1	113.4	8.0
Value-added per worker £M	830	924	3.6	1,228	4.8
Manufacturing Firms £M m.	14.7	22.1	14.6	44.0	12.1
Value added per worker £M	784	855	2.9	1,115	4.5
Military Services £M m.	5.9	6.2	1.6	0.5	−34.3
D. FOREIGN TRADE AND PAYMENTS (1973 prices)					
Exports of goods and services £M m.	57.7	75.2	9.2	126.8	9.1
Exports of goods £M m.	19.4	35.9	22.7	80.1	14.3
Military Services £M m.	16.9	12.0	−10.8	2.0	−25.8
Imports of goods and services £M m.	106.3	98.0	− 2.7	147.0	7.0
Military Base Rent(2) £M m.	6.5	16.7	37.0	—	—

Notes: Data for 1970 are expressed in terms of 1973 prices while projections for 1979 do not take account of price increases after 1973.

(1) Labour Statistics for 1973 are based on a Manpower Census and are not strictly comparable with those for 1970 which were compiled on a different basis.

(2) Actual payments at current value.

Public Sector in a Mixed Economy: Partnership with the Private Sector

Before 1971 the involvement of the public sector in development in Malta had been through the provision of infrastructural facilities and investment incentives, and through the laying down of policy guidelines designed to channel the productive activity of private enterprise along desired lines. The Government left it very largely to private enterprise to initiate, on a loosely regulated basis, those activities which create the substance of growth.

This Plan remains geared to growth in four main areas: manufacturing industry, drydocks, tourism and agriculture. But while the broad objectives remain the same the means of attaining these objectives have changed radically. The Government's role had been almost entirely passive: it is now active, constantly watchful, more closely related to the real needs of development and above all flexible.

The State will not limit itself to a backing role. The industrial society contemplated in the Plan will leave full scope for private enterprise, but there will be greater Government involvement than hitherto in the productive sector, both in areas where the public interest warrants State control and in situations where the State has to act in default of private initiative. Government concern with the provision of infrastructure will continue, but there will tend to be greater emphasis on directly productive outlays by the public sector as development gathers momentum.

The Government will set the pace of the economy to maintain rising employment and restraint on price increases, through public investment and direct participation in productive activities, and through fiscal, monetary, foreign exchange and trade policies. The Government's intervention will be directed at the avoidance of overheating, or excessive slackness of the economy, while seeking to sustain steady growth momentum.

Broadly, there are three types of infrastructural projects: (a) those which have to be started immediately, either as prerequisites to progress of the Plan or on social, health or other vital grounds; (b) those which bear direct relation to progress in the productive sectors and must therefore be phased to keep pace with this progress as the Plan unfolds; (c) those which although desirable do not enjoy absolute priority on social or economic grounds: these projects allow scope for a considerable flexibility of timing and can be phased in a variety of ways, so as to compensate for any decline in Malta's economic activity during periods of recession.

While it will be the Government's concern to ensure that the economy develops along the right lines, Malta will continue to operate a mixed economy in which private enterprise can flourish subject to regulation in the public interest. The Government will give the fullest encouragement to private enterprise and will seek to maintain at all times a favourable environment, not only by providing positive support through its investment in infrastructure but also by pursuing coherent economic policies. Malta's development will continue to take place on the basis of joint endeavour and mutual recognition by the partners of their respective roles. The Government will encourage industry to identify its own interests with the overall development concepts and planning objectives of the State.

The Plan in human terms

Stress has been laid on the economic objectives of the Plan, the policies by which they will be stimulated and guided, and the vision which inspires the whole Plan. This is a Malta standing on her own feet, sustained by the ingenuity and resourcefulness of her people, and containing within herself the economic power and sinews to maintain self-reliant growth. Economic growth in the abstract is not the end of a rational economic policy: it is its result. If the economic and social objectives of the Plan are achieved, growth of national income will be registered.

The target growth rate is the resultant of the specific human improvements that the Plan aims to achieve.

The Plan takes its basic motivation from the Labour Party electoral manifesto. It is worth recalling the relevant section of the manifesto where the essential guidelines of the Labour Government are succinctly stated:

> "A Labour Government, in the implementation of this programme and in all measures necessary for the welfare of the people of Malta and Gozo will act on these democratic socialist beliefs:
>
> 1. It upholds equal rights for all citizens irrespective of race, colour or creed.
>
> 2. Each citizen has the right to follow his religious beliefs without hindrance.
>
> 3. A civilised society should not allow any man to suffer undue hardship through a very wide gap between the standard of living of rich and poor.
>
> 4. In a modern society man should create those conditions to enable people to live as brothers, as one big family, and not as wild beasts in a jungle.
>
> Only in the light of these beliefs can Malta become truly Maltese and prosper in peace and progress."

All these basic beliefs have their economic dimension. In stressing equal rights for all citizens and, implicitly, the right to develop the human personality to the full, the manifesto was anticipating the basis on which educational reforms would take place. The electoral manifesto pledged the Labour Government to work for a society in which no one would be allowed to suffer undue hardship. The Plan seeks to provide the economic means for the alleviation of hardship by improving the required social infrastructure. The manifesto implicitly stresses the right of all who seek employment to find productive work. The Plan strives to achieve this by bringing within the reach of those able and willing to work the opportunities of employment, the lack

of which had until now compelled many Maltese citizens either to emigrate or to fill useless jobs.

The State recognises that it is responsible for creating the opportunities for each individual to develop to the full his talents and personality. The Plan for Malta is not about abstractions or statistics; it is about and for people. Development planning is therefore related to the identification and fulfilment of human needs. The objective of the Plan is to raise the level of living of the masses of the people to the fullest feasible extent. This means meeting such needs as continuous, satisfying employment, secure and adequate livelihood, better education, improved medical services and higher real incomes. The test of success of the Plan is not the attainment of some particular growth rate but whether the basic-felt needs of the mass of the people, and especially the poorest and least fortunate, have been met.

CHAPTER III

ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPLICATIONS OF THE STRATEGY

ECONOMIC SELF-RELIANCE AND ITS IMPLICATIONS

The ultimate objective of the Maltese economy is self-sustaining growth. Viability in the Maltese context means a situation where it will be possible to replace declining sources of income, and maintain steady overall growth: (a) with the required inputs of investment matched by corresponding resources of locally generated or owned savings; and (b) with sufficient earned or acquired foreign exchange to meet all import requirements without undue restrictive intervention.

Viability, once achieved, is not irreversible. Malta is vulnerable to adverse currents abroad which could place strains on imports which her export earning capacity might be unable to match. If Malta's foreign currency earning potential were to get seriously out of line, for whatever reason, over a protracted period, a viable balance of payments situation could rapidly become unstable again and Malta's ability to withstand a prolonged crisis of this sort would depend on the strength of foreign exchange reserves. Investment does not have to be sustained directly by Maltese savings, although viability does imply a measure of correspondence between the two levels, taking one year with another. If that correspondence is not there, there will, in the absence of foreign aid, or an adequate net credit in inflows of investment capital from abroad, tend to be a drain on the balance of payments and the ultimate determining factor will again be the strength of the reserves.

The philosophy of development by which the Government is guided, and the thesis of viability itself, rests on the

proposition that investment should be channelled wherever possible into, or in support of, productive activity. Maximising the growth potential of any given outlay on investment is the surest way of maximising the pool of resources out of which savings can be generated. So greater emphasis on productive investment will itself conduce to increased savings, through increased incomes on the one hand, and increased scope for business or corporate savings on the other.

Increased generation of savings is one aspect of the problem. Increased commitment of these savings to productive deployment within the home economy is another. Given the right opportunities Maltese savings, channelled directly into productive investment at home, will give a far greater boost to the economy, than a corresponding investment in securities abroad. It will continue to be necessary, of course, for savings to be placed in deposit with the Commercial Banks in order to enable them to play an appropriate role in financing development.

Exchange controls of one sort or another will continue to be necessary, but some measure of freedom of movement of capital consistent with the needs of development will be permitted. In fact relaxation of the hitherto total embargo on outflows has already been permitted and the situation will be adjusted as circumstances may warrant. Some posting abroad would not really matter so long as Malta secures a matching, and possibly more than matching, inflow of foreign capital in return.

Foreign private investment, preferably in joint ventures with local participation, will be encouraged because of the need to acquire managerial and technical expertise, access to new technology and foreign markets for local output. Profitable investment, with freedom to repatriate at will, should lead to re-investment of profits and the attraction of new capital. The Government, however, is seeking to involve local capital to a progressively greater extent, and the long term objective must be to develop an economy where the means of production come to be predominantly owned by Maltese individuals and institutions.

PRODUCTIVITY AS THE KEY TO ECONOMIC PROGRESS

A key-note of the Plan is the growth of productivity and the strengthening of the competitive position of the economy. The growth of productivity is a main requirement for the increase of production and of real incomes. Under conditions of freer movement of goods, and of increased business competition, the improvement of competitiveness is a basic requirement, not only for the long-term growth of the Maltese economy, but also for its survival in the European Economic Community.

The social, economic and physical environment, in which people produce, is a particularly important influence on productivity. The Government's policy objectives and programmes will therefore be directed at creating the right environment, both by building up an appropriate economic infrastructure and by establishing a proper institutional framework in which sound decisions can be taken. This will include the more efficient running of Government Services and Public Undertakings.

One of the constraints set by Malta's physical situation is the lack of a large home market on which to base large-scale operations. This need not be a serious disadvantage if economies of scale can be derived from exports, though the risks of overseas markets are always greater. Another drawback is the fact that, at present, there is a lack of adequate linkage between local manufacturing processes. As development proceeds the opportunities for linkages will become more readily available, and the benefits from mutually supporting activities will themselves contribute to an increase in the efficiency and competitiveness of production.

Malta has no indigenous Research and Development capacity, and must necessarily rely largely on transferred technology. Its capacity to absorb and understand transferred technology is, however, high. The EEC is aware of this situation; in fact the Government of Malta has formally sought access to EEC Research Institutions and facilities. It is also known that, in its broader relevance

to the question of development, the U.N. and its Specialised Agencies are devoting a great deal of thought to the problem of giving developing countries access to such specialised knowledge. Malta needs disinterested advice concerning technologies appropriate to her situation and to be kept informed continually and reliably about developments abroad. It is hoped that arrangements can be made, through the EEC or on some other international basis, for this vital need in Malta's industrial evolution to be met, on terms which would add to her competitive, productive capacity at costs that are not excessive.

In the last resort, however, what will really determine productivity is (a) the ability and willingness to work, and the degree of labour's commitment to making a success of the enterprise; (b) the efficiency and skill with which management operates, in buying and selling as well as in organising the team to produce the required output at least possible cost; and (c) the physical investment and the technological appropriateness of the tools of production put at the disposal of management and workers.

Industrial relations are at all times crucial and the extent to which labour identifies its own interests with the long-term interests of the enterprise is a decisive factor. Industrial democracy in its various forms is now recognised as not only socially desirable but also imperative for efficient production. Malta is pioneering new forms of ownership and control in this area.

FISCAL AND MONETARY ENVIRONMENT

Fiscal Policy

Economic policy decisions will be taken in a coherent, concerted manner to promote the country's economic aims. Fiscal policy in particular will be determined in the broader perspective of a total development strategy, and will complement or be complemented by such other measures as may be deemed necessary to attain specific ends and objectives. In its budgetary dimension fiscal policy can no longer be approached as a technical exercise concerned mainly with the raising of sufficient revenue to cover Government expenses.

The budget as hitherto presented has tended to take the form of twin estimates of Government revenue and expenditure, and the main emphasis was on controlling the extent of public expenditure and on ensuring adherence to financial regulations. The absence of an overall, integrated approach has severely restricted the development of the budget's role as an instrument of development policy.

A tax structure must satisfy the test of being compatible with, indeed conducive to, the promotion of economic objectives. Tax changes will be made, whether at the time of the annual budget or at other times, in the light of the overall economic situation and the way it is developing, and not simply in order to ensure a balance or surplus on the Government's recurrent account. This presupposes that tax changes will be based on the fullest possible information about what is happening in the economy, and forcasts of likely future developments at home and abroad.

Review of the tax system will need to be a continuing process. The aim throughout the Plan will be to update and revise existing and possible new sources, and to maximize the yield while ensuring regular collection at the least cost. Apart from ensuring an adequate and regular flow of revenue, there is also the need to adjust the tax structure in the light of Malta's relations with the EEC.

In all matters relating to taxation the Government will be guided by the principle that financial burdens must be borne by those most able to carry them. The overall aim will be the achievement of a broadly based, effective, development-oriented tax structure, which can stimulate savings and capital formation as well as direct investment and personal efforts into productive channels.

Monetary Policy

Monetary policy must play a part in fostering balanced economic growth and it will be the Government's responsibility, in collaboration with the Central Bank, to see

that the rate of monetary expansion is compatible with the maintenance of internal and external financial stability. One of the major tasks of monetary policy will be to ensure that the stock of monetary assets is at all times sufficient to sustain economic development without giving rise to inflationary pressures of a monetary character. Monetary policy will have both a causal and a regulatory function concerned with the adequacy of financial resources, on the one hand, but also ready, if necessary, to direct through qualitative controls resources into the sectors to which the Plan assigns a leading role.

Judicious control of the extent and direction of credit creation, and of the money supply, will be used to maintain internal balance. Moreover, to maintain a climate favourable to investment, the monetary authorities will seek to operate an interest rate structure which, while encouraging the flow of savings necessary to sustain a dynamic banking credit base, will not inhibit investment through putting a prohibitive or unduly high price on borrowing, since the cost of money is an important prime cost in any project.

Monetary developments are closely linked to those occurring in the balance of payments. The maintenance of external stability of the Malta pound, as well as an adequate level of external reserves, are prerequisites for the development and maintenance of a sound monetary system. By linking the Malta pound not to one but to the majority of the currencies of Malta's trading partners, Malta can reap the reward of relative stability in an unstable world economy. Monetary policy will be conducive to the achievement of a level of external reserves, and a degree of diversification of these reserves, consistent with the balance of payments targets of the Plan and the protection of the real value of the Malta pound.

Through the Central Bank of Malta Act, the Banking Act and the Exchange Control Act the monetary authorities already have an armoury of monetary weapons. If necessary these instruments will be supplemented and sharpened in the light of developments which will be kept under constant review.

INCOMES, WAGES AND INDUSTRIAL RELATIONS

The Government will use all its powers to fight inflation, in order to maintain the economy's growth potential, to prevent the erosion of hard-won living standards and to avoid the socially disruptive impact of rising prices. One of the greatest threats to the cohesion of society today is inflation. Its effects are unfair, divisive, unsettling and ultimately destructive.

A primary objective of policy is to increase real wages. For this to be possible, without inflation, three things must be borne in mind. Firstly, wage increases must be fully earned by increases in productivity. Secondly, it will be necessary to ensure that the fruits of economic progress are distributed more evenly and fairly between labour and capital, and between the lowest paid and the better paid. Thirdly, in a world plagued by unprecedented rates of inflation, Malta may have to accept the sacrifices imposed by rising world prices and deteriorating terms of trade. It may be necessary to export more in order to pay for the same amount of imports. Imported price increases cannot be avoided in a small, open, trading economy.

Only in a society with a basic social consensus will it be possible to ask for sacrifices. Malta has achieved the kind of social contract between the Government and the Trade Unions that many more prosperous and more affluent societies have been seeking in vain.

The pursuit of higher living standards for all is a basic Plan objective. At the same time, the fact that labour is available in Malta at costs lower than in neighbouring countries is a real advantage for the competitiveness of Malta's exports. This advantage could be lost if money wages are raised by more than is warranted by strict efficiency or by social policy considerations.

The apportionment of the yield from production must also ensure that a sufficient return is left over to sustain further investment and to cover, through tax revenue, the costs borne by the State in the form of incentives, concessions and public investment in infrastructure. The Plan in-

cludes the necessary incentives for investment and ensures the required framework for higher profits to be made by the more dynamic firms, on which economic development depends.

Domestic inflation is often the manifestation of a lack of social discipline particularly if, as a result of the claims of particular interest groups, the total claims on the nation's production add up to more than is available for distribution. The victims are those whose bargaining power does not enable them to keep pace with the rising cost of living.

A basic understanding between employers and organised labour, and between different groups of workers, is therefore essential for a fair distribution of the fruits of production and for restraint on incomes. Progressive taxation and the growth of social services are part of such an understanding. The Government's policy for closer participation of workers in the management and ownership of industry is another particularly important method of establishing such a social consensus. Inevitably, grounds for disputes and conflict are bound to remain. Adequate negotiating machinery exists to resolve labour disputes. But, ultimately, social harmony and a sense of fair sharing provide the only firm basis for good industrial relations.

While both sides of industry, employers and employees, must seek to work together, it is no less desirable that they should maintain close liaison with the Government in order to be constantly tuned in to Plan objectives and policies and thus able to cooperate fully in their fulfilment. The Plan cannot succeed unless all accept that progress implies change, and change implies a readiness to accept some element of disturbance and abandonment of past practices and attitudes in order to adjust to new situations.

During the period of the Plan there will be a shift from less productive to more productive occupations. Inevitably, however, as new jobs are created others will become obsolete. The aim will be to safeguard employment by improving the flexibility of the labour market rather than by preserving jobs which are no longer productive. Labour supply must be flexible, ready to respond to the changing needs of a progressing industrial economy.

The Government will do all it can to ease the process of change, by providing social support during the transition, and by creating institutions to retrain, upgrade and redeploy labour. The Trade Unions, for their part, must accept that they have a particular responsiblity to educate and guide labour during this difficult period; to make labour abandon rigid attitudes designed to safeguard vested interests and to maintain the status quo, because these would in the long-run be self-defeating. They prejudice fulfilment of both the material and the social objectives of the Plan.

SOCIAL ENVIRONMENT

One of the resolutions adopted by the United Nations, in respect of the Second Development Decade, places particular emphasis on the creation of conditions of stability and well-being in developing countries so as to ensure a minimum standard of living consistent with human dignity through economic and social progress. The resolution asserts that "the ultimate objective of development must be to bring about a sustained improvement in the well-being of the individual and bestow benefits on all. If undue privileges, extremes of wealth and social injustice persist then development fails in its essential purpose".

Human beings are the most important component of the economic structure of the nation. The quality of the labour force must be improved as quickly as possible if the foundation is to be laid for long-term economic development. A large-scale expansion and reform of education will help to raise productivity, to lessen the present inequalities in income distribution among occupations, and to improve the mobility of labour. In addition to, and at least as important as, the economic role of education, is its role in permitting every citizen to develop fully his or her skills, talents and personality. The social and cultural advancement of the nation also depends primarily on the improvement of the educational level of the people.

The Plan provides for an expansion and improvement of the educational system at every level. A rapid

expansion of the system of technical education, mainly for skills which are needed for planned development, has already been embarked upon. Similar attention is being given to the development of the arts and other forms of cultural life. As regards housing, in spite of the intense activity during recent years, a section of the population still lives in socially unacceptable conditions and the main aim is to carry out a comprehensive programme of social housing, including slum clearance. A sustained effort to raise health standards and to extend welfare services will continue, aimed at further improvement in the quality of life.

Education

One of the primary objectives of education is human resource development. The development of human resources enables people to discover, develop and enhance their capacities, to make a constructive contribution to society and to lead richer and fuller lives. But if this objective is to be attained, it is necessary for old methods and techniques to be abandoned. This is not to suggest that a strict utilitarian and vocational attitude to education is advocated. On the contrary, education must cultivate the moral, cultural and intellectual potential of the personality. There need be no conflict between these two approaches to education. A community of fully educated citizens will also be a more productive community.

The Government's underlying policy for education as a whole over the period of the Plan is:

(a) to provide equality and improvement of educational opportunity;

(b) to promote a greater awareness of the dignity, status and potential contribution to society, of manual labour;

(c) to move towards a system based on Malta's needs and culture — always bearing in mind the importance of harmonising this system with that of Western Europe; and

(d) to develop independence of thought and a sense of responsibility among individuals.

The Government has embarked on a fundamental reform of the educational system: a reform which takes account both of the organization of schooling and of the academic and practical objectives of the educational process. The reform, which is accompanied by the raising of the school leaving age to 16, as well as by the introduction of school facilities at kindergarten grade for children below the age of 6[1], is designed to further the interests of the children passing through the educational institutions, as well as to adjust the system and render it more relevant to the needs of a developing country.

The system is particularly affected at secondary level. Under the new scheme there are now no formal examinations regulating progression from the primary to secondary levels. Increased emphasis is being placed on the development of the child's personality and his ability to think for, help and do things for himself; and the teachers will be particularly concerned to discover the child's aptitudes. Pupils are being encouraged to develop their interests free from the rigidities which formerly determined the attitudes of school children towards schooling, by concentrating their minds unduly on specific subjects and specific tests at determinate intervals.

The five-year Secondary School course prepares students for admission to technician courses at the Technical Institutes, or for the two-year courses at the Upper Secondary School to qualify for entry into the University, the Polytechnic and the College of Education.

The curriculum offers a basic course which is of a general character and which includes the traditional subjects. However the syllabus is broadened so as to give

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(1) Kindergarten classes are being provided on a voluntary basis for children aged 4-5 years in the scholastic year 1974/75, and the intention is to have children aged three taken in as well, as soon as circumstances permit.

children with particular aptitudes for arts and crafts an opportunity to discover their abilities in these fields.

Secondary School students who opt to receive training at the Skilled Craftsman level can go to the Trade Schools for three or four year courses.

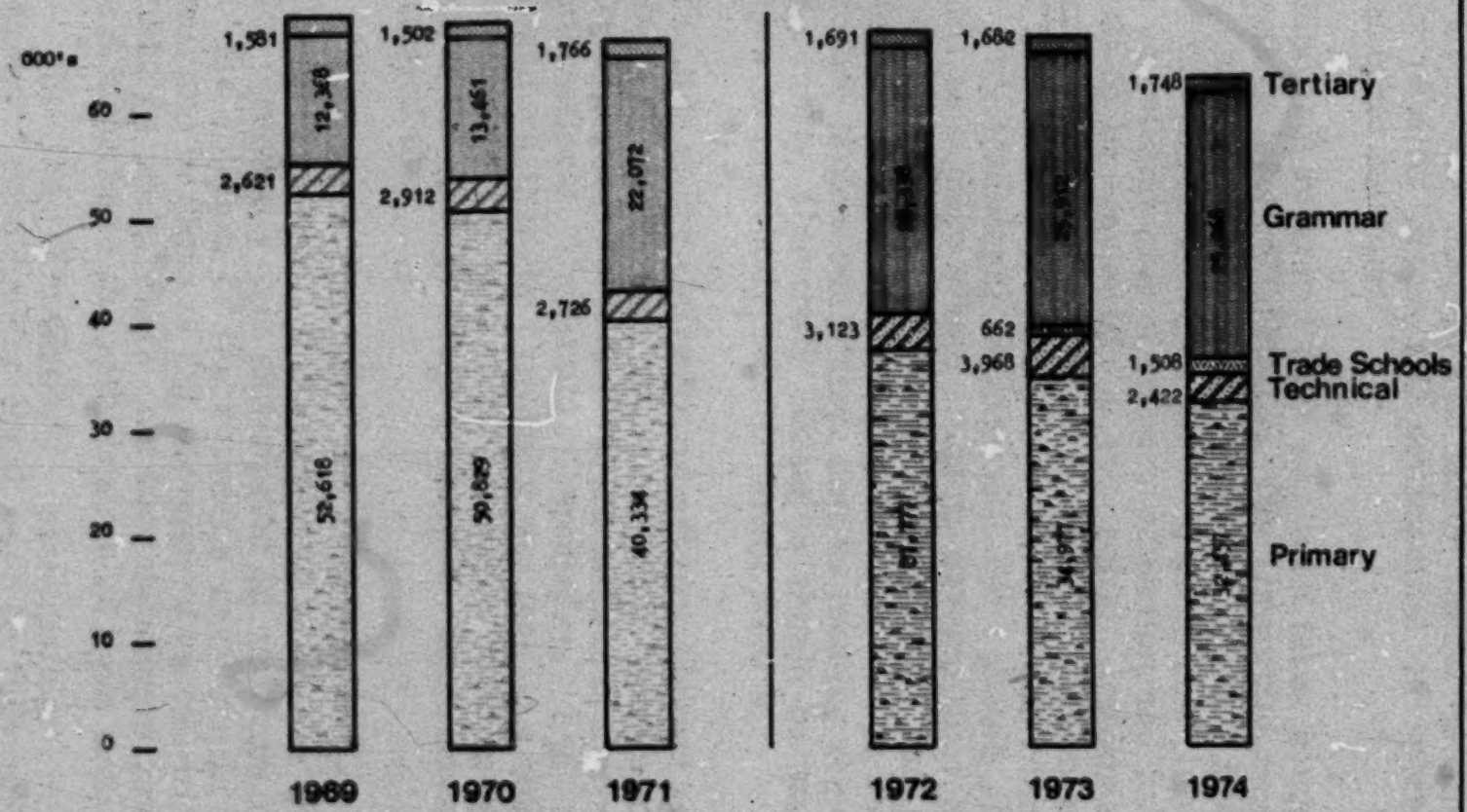
The increased emphasis on technical education is necessary. In the past children have been groomed for white collar jobs and have regarded blue collar occupations as inferior or less desirable. This white collar mentality has no place in Malta's society because society needs and must appreciate the status of all sorts of workers in all sorts of occupations. Indeed, in the years ahead, the best future and best prospects would appear to lie with the blue collar workers.

An important advantage of the new system is that, whereas children have had to make crucial decisions about the course of their future education very early in life, this decision is now effectively postponed. In addition, it is now based on the experienced assessment of the teachers who will be monitoring the child's progress in the first years of his secondary schooling. The choice will therefore be that of the child, at a more mature age and helped by persons who are professionally qualified to steer the child into a line of education for which he is best suited.

The Government sees the continued need for private secondary schools. The policy is to integrate the private secondary schools within the Government system while allowing them to retain their identity. There will be measures to control standards as regards teachers' qualifications, equipment, premises and courses. Subject to private secondary schools maintaining standards set by the Education Department, they will continue to receive capitation grants on the basis of a predetermined yearly intake.

Children should not be concerned solely with the acquisition of book knowledge. Intellectual development

STUDENT POPULATION



NOTE: Student Population comprises students in Government and Private schools as at the end of June of each year.
In October 1974 students attending the Trade Schools numbered 2,300.

and independent thought and action should be accompanied by physical fitness and participation in sports and various other activities.

Important measures have also been taken concerning the tertiary level of education. The University must not be seen as an educational institution in isolation from the rest of the educational and social system. The University forms an integral part of tertiary education and its function has to be reviewed in the social, industrial and political context and against the country's aspirations and needs. The University must not be an institution concerned solely with traditional disciplines but should also be regarded as a place where students develop their mental faculties in a free and liberal environment and where knowledge is valued as an end in itself, as well as a means to a future professional career and to meeting the needs of the country. University education should be available and open to everybody able to benefit from it.

The role of the University in modern Maltese society, and its relationship with that of other institutions of tertiary education were, in 1973, the subject of a report by an International University Commission. The report questioned whether the University was making a sufficient contribution to the educational resource build-up needed to further the ends of Malta's economic development. It was stressed that:

(a) the adequacy of this contribution had to be measured in terms of the degree to which the University community has participated in and contributed to the solution of the country's development problems and in terms of the relevance of its efforts to the country's needs. There had been insufficient attention paid hitherto to the identification of these needs.

(b) the University's participation in the country's development could only be fully obtained if the University was integrated more closely within the system of tertiary education. In particular there was need for more effective co-ordination of the three

institutions in the tertiary sector: the University, the Malta College of Arts, Science and Technology and the Malta College of Education. Failure of these institutions to co-operate had led to duplication and waste of resources.

The Government has broadly accepted the International Commission's recommendations, and the stage has now been set for a continuous dialogue between the Government and the University, with a view to strengthening the University's sense of purpose and to fulfilling national requirements.

The Government has also been concerned to give the University a more meaningful form of autonomy: a form which would make it more responsive to the changing policies and needs of the nation as determined by the Government, without prejudice to the freedom of the University to impart academic knowledge without influence from any outside source. Legislation has accordingly been enacted to give effect to this new concept, within the framework of an overall review of the educational structure of the country at all levels.

Health and Welfare

The Maltese community is served by a good system of basic health services which caters for all individuals at all the different stages of life, and the fact that these services are provided by the Government free of charge to those who cannot afford to pay gives Malta a lead in welfare concepts over many other developing countries. Indeed, the provision of health services in the Maltese Islands is an area where the Government has traditionally assumed responsibility and where it will continue to do so actively during the Plan period.

Improved standards of health are more than just socially desirable. A healthy labour force is by definition a more productive one. Occupational health is a particular concern of the Government and health hazards related to

employment are constantly under close scrutiny with a view to their being remedied or guarded against.

The strategy being pursued for the development of health services during the Plan has a threefold purpose:

(a) as part of the continuing drive to raise health standards generally, the Plan will seek to improve the quality and expand the range of district medical services available to the community;

(b) it is planned to further modernise and rationalise the quality, and increase the capacity, of the present hospital services;

(c) it is intended to introduce a new concept in the care of the aged and the disabled; and this is perhaps the most vital feature of Plan thinking in this area.

Community Health Service

The Government is making a close appraisal of district medical services to determine how far they measure up to modern standards of community health service. The reform of the service will include the introduction at community level of a number of health services which are at present either inadequately provided, or not now available, such as domiciliary nursing, midwifery, physiotherapy and psychiatric social work. The object here will be both to cater for the patient's greater convenience as well as, in so doing, to relieve pressures on hospital capacity.

Hospital Services

Although there will be greater emphasis on the treatment and rehabilitation of individuals within their fami-

liar domestic background, the Government is fully aware of the need to push ahead with its programme of modernisation and rationalisation of the facilities available in existing hospitals. The aim is to improve and strengthen existing services and to provide basic services which are still lacking. This will entail a substantial investment programme in hospital development and it is planned to continue works which have already been taken in hand and give a start to other projects.

Particular attention will be given to St Luke's Hospital where the facilities available have been proving inadequate to meet the increasing demand for general hospital care. It is planned to increase the total bed capacity at St Luke's hospital to around 1,000 in keeping with international WHO standards which require 3·3 acute beds per 1,000 population. This will be achieved partly by the construction of a Children's Unit and a unit for acute geriatric cases, which will together provide an additional 280 beds; and partly by making a more rational use of the space in certain areas of the existing hospital departments.

The programme of rationalisation of existing hospital space will ensure that ward areas are put to the best possible use and that ancillary facilities and services do not encroach on badly needed accommodation within the hospital itself. Other plans to improve the standards of the present hospital amenities include the setting up of an Intensive Therapy Unit and the upgrading of the Maternity Department and the operating theatre. Other measures which will be adopted during the Plan period are meant to ensure that patients and all those who need medical care and attention are given the best possible treatment.

The programme of modernisation and adaptation will also cater for other Government hospitals. Special consideration will be given to the upgrading of wards which have not yet been modernised and to the provision of facilities needed to improve standards of treatment and patient comforts.

Care for the Aged

The Government's policy in regard to geriatric care will be: (a) to reserve hospital facilities at St Vincent de Paule for those persons who really require constant care in an institutional environment, while (b) providing home help for the old, infirm, or other people who are incapable of looking after themselves entirely on their own, but who can continue living at home if regular domiciliary assistance is provided. This should relieve demand for hospital space and allow better service to those who really require hospital treatment. It will also allow the patient full freedom to live in a familiar environment without any undue intrusion on privacy and independence.

The Government plans to adapt certain parts of St Vincent de Paule to accommodate old people who can look after themselves and only need a minimum of assistance under institutional arrangements, but cannot be cared for under the domiciliary service. These old people will be housed in blocks within the hospital area which, as opposed to the traditional ward arrangements, will be restructured on a hostel sort of system, where a certain amount of independence can be enjoyed. Inmates will be encouraged to regard themselves as living in a community rather than in an institution. Within these "old age villages" married couples will continue living together and communal services and other facilities will be provided. This should enable them to live in conditions similar to those to which they were previously accustomed.

In the interests of the patients, and in order to lessen pressures on hospital accommodation, as many people as possible will be encouraged to continue living at home and will be cared for on a domiciliary basis. The scheme is meant primarily for the old and infirm who can continue to stay at home if certain necessary chores are done for them. It also covers the care of patients discharged from hospital who still require treatment and care.

The agreement reached by the Department of Health with the MMDNA in fact provides for visits by qualified personnel who will look after the needs of people eligible

under the Scheme: needs such as nursing care, preparation of meals, domestic help and the collection and delivery of laundry.

Welfare of Handicapped Persons

The Government's continuing concern with the less fortunate members of the community has been stressed in other parts of the Plan. Efforts will be made to alleviate hardship. Handicapped persons, who can be trained or rehabilitated, will be provided with special facilities to overcome their particular disability. This will enhance their independence as individuals and enable those fit for employment to take up appropriate jobs.

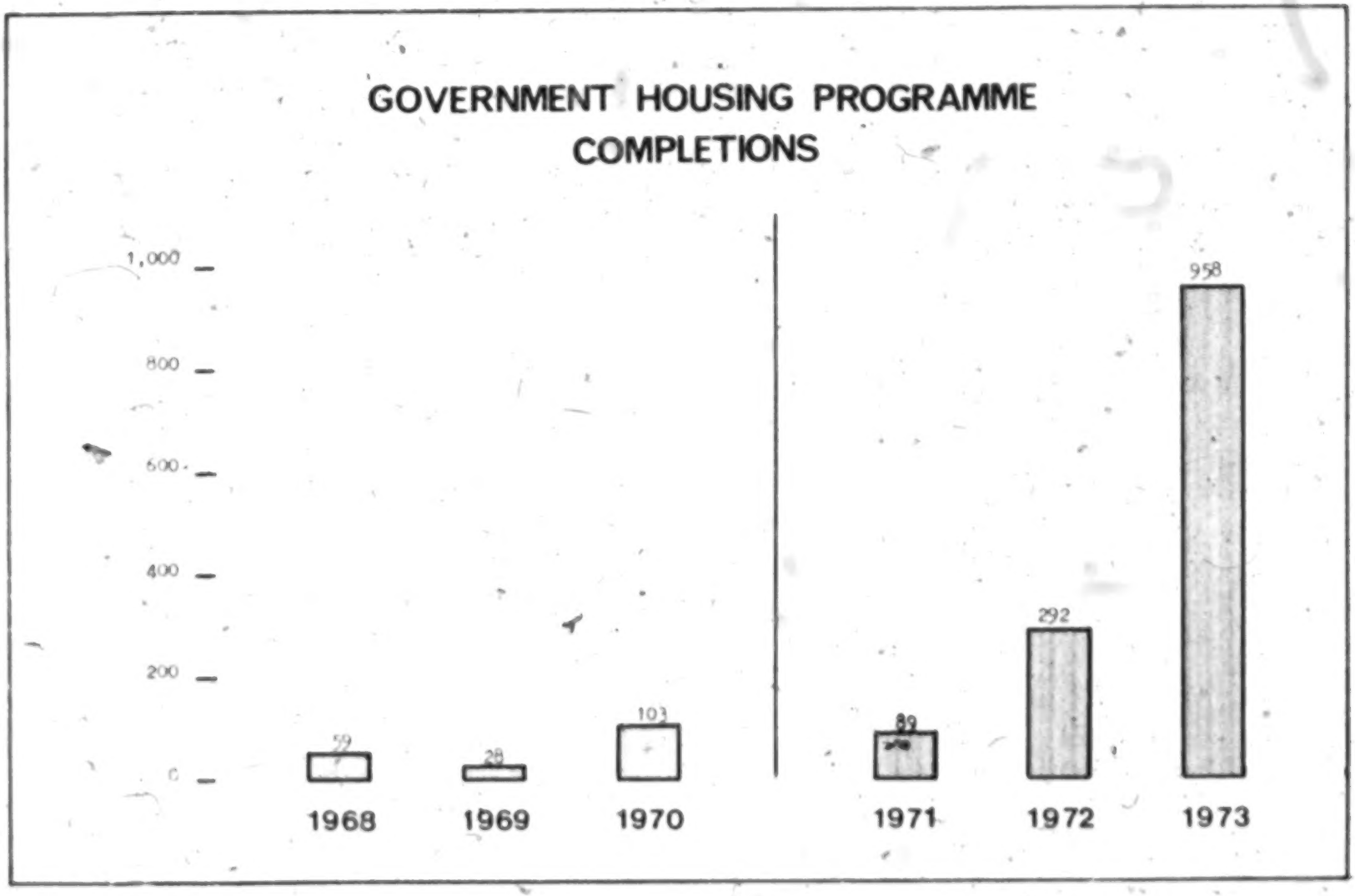
Children's Allowances

The Government has taken steps to honour its electoral commitment on family allowances. A scheme has been introduced, with effect from November 1974, in terms of which an allowance will be paid for each of the first three children per family up to the age of sixteen. Initially the cost will be borne entirely out of public revenue but it is intended that as from April 1975, these allowances will figure as benefits payable under the National Insurance Scheme, with subscriptions from employers, employees and the Government adjusted to fund the additional cost of these allowances.

Housing and Slum Clearance

The building boom of the late Sixties catered mostly for the speculative building of luxury villas for foreigners and diverted attention from the housing needs of the local population who found it increasingly difficult to acquire decent accommodation. The less fortunate sectors of the Maltese community, especially, have had to continue living in over-crowded sub-standard houses.

Government involvement in housing during the Plan period will be centred on three main projects: (a) the pro-


GOVERNMENT HOUSING PROGRAMME
COMPLETIONS
1,000
800
600
400
200
0
59
28
103
89
292
958
1968
1969
1970
1971
1972
1973

vision of new dwellings in sufficient numbers to go a good way towards meeting existing and forecast demand for subsidised housing up to 1980; (b) the further eradication of slums, both in Valletta and elsewhere, through the erection of new dwellings and conversion of sub-standard houses into more decent dwelling units; and (c) making building sites available at nominal ground rents.

The Government has already devoted a good deal of attention to the very serious problem of housing shortage both in Malta and in Gozo and indeed, one of the first tasks on assuming office was the stepping up of the programme of construction of housing estates. Over 1,600 dwellings have since been completed and most have been let for occupation.

In spite of what has already been done to make available dwellings units for the working classes, who cannot possibly compete on the open market, it is clear that due to prolonged neglect of this dire social need the housing shortage will continue to be felt for some time to come. The glut of empty luxury villas and dwellings all over Malta will not help to solve this shortage. Studies have already been carried out to size up the nature and extent of demand for low cost housing over the Plan years and the massive projects in hand and projected are part of the Government's attack on the problem. There are, as at October 1974, about 2,250 dwellings commissioned or in course of construction in a broad spread of districts and the programme of construction of additional dwellings will continue unabated so long as the need persists. In the construction of new dwellings the Government's policy will remain based on the extension of existing townships, and it is intended that most parts of Malta and Gozo should benefit from the various schemes.

Living in slum conditions is socially intolerable and the Government is fully determined to ensure that all sections of the community are able to live in decent houses. A great deal has already been done in the Valletta area, where about 200 new dwellings have been or are being provided, apart from a substantial number of other dwellings that have been made available by adapting premises for-

merly occupied by Government Departments now transferred to the new administrative city of Beltissebh. Other slum clearance projects outside Valletta will be undertaken and a number of areas have already been selected for redevelopment. The loan finance obtained on soft terms from the European Resettlement Fund is being used to finance the Government's slum clearance projects.

A large number of sites at subsidised ground rents has already been made available in various districts throughout Malta and Gozo, for the building of houses and flats under the Home Ownership Scheme, and other areas are expected to be made available during the Plan years. The scheme is intended to encourage private initiative while committing the Government to a relatively minimal amount of direct participation.

As a long term measure, to ensure that the supply of housing units constantly keeps pace with demand, it is the Government's intention to establish a Housing Commission. The Commission will be entrusted with responsibility for (a) the administration and possible disposal by sale of Government-owned dwellings, and (b) other commercial premises or sites that can be developed at a profit. The Commission will be vested with property and funds and will use its resoures on a revolving basis to erect new dwellings and to function on the lines of a building society.

Recreational Areas

The Government's concern with the welfare of the local community, however, is not limited solely to the activities which have a direct bearing on national economic performance or which merit consideration on social grounds. It will also seek to promote, on a large scale, environmental development designed to make the Maltese Islands more attractive for their own people through landscaping, tree-planting and the enhancement of beauty spots. The programme will include the formation of public gardens and other recreational centres and parks in various towns and villages where the local communities can find relaxation in pleasant surroundings.

PART II

OVERALL AND SECTORAL GUIDELINES

Chapter IV

THE PLAN: A MACRO-FRAMEWORK

PLAN DESIGN

In designing the perspective framework, attention has been given to the following related considerations: (a) making optimum use of manpower, which is Malta's most valuable asset; (b) utilising to the full materials available locally; (c) making full use of existing plant and equipment, and ensuring that new investment is made economically and judiciously; (d) making available the financial resources needed to sustain investment; and (e) re-orienting the economic structure so that once self-reliance is attained, the autonomous growth process can thereafter be sustained.

The point of departure has not been a predetermined rate of growth of gross national product. It has been self-reliance at a level of output which the local and export markets can sustain, and which provides employment for workers discharged or underemployed, as well as for new job-seekers. Total output, investment, saving, consumption and other major targets, as well as the sectoral implications, have been built on this basic consideration.

It should also be emphasized that the major targets have not been arrived at by a simple extrapolation of past trends, if only because it is the purpose of Plan strategy to alter those trends, and set the economy on a new path. The targets seek to identify desired levels of general economic activity required for the fulfilment of the set objectives. Self-reliance can be reached at a lower level of performance, but this would imply fewer jobs, an undesirably high level of emigration, lower levels of income and a slower rate of improvement of living standards. Self-reliance is both an end in itself and the condition for a sustained rate of economic growth, more diversified and satisfying jobs and a higher and growing level of social welfare.

Self-reliance entails, among other things, a balanced or favourable international payments account. Since a substantial proportion of Malta's needs must continue to be met from abroad, economic development in Malta's case necessarily implies a growing demand for imports. If a healthy international payments account is to be maintained, it follows that the rate of economic growth and attainment of the social objectives are directly related to Malta's ability to increase the production and sale of goods and services for export, after allowing for import substitution.

The domestic market, though growing, is limited both in scale and composition, and cannot be expected to sustain the level of employment desired or the required rise in living standards. Therefore, Malta's development problem is very largely a function of the ability to export the right amounts, on the right terms, to the right countries.

The Plan in the World Economic Context

The set objectives and the underlying planning framework must be seen against the forces and events of the world economy. Malta has a small, wide open economy and therefore is highly vulnerable to external forces. Several particularly dangerous external forces, like tidal waves, are now threatening to crash into each other: the wave of world-wide wage-cost inflation, rising oil prices, and the threat of a slowdown, or even a recession in the level of international economic activity. The defensive actions that the large industrial countries will take to combat inflation, rising oil prices and the resulting balance of payments deficits, actions which would themselves accentuate the downturn in economic activity, are bound to have repercussions upon the Maltese economy.

In the face of these uncertainties, which have completely upset the planning exercises of countries much larger and more self-sufficient than Malta, the projections of the Plan can, at best, provide guidelines and reference standards based on specific assumptions. If the assumptions turn out to be wrong, the projections will also be wrong. But the exercise will have achieved its purpose

if the policies adopted make sufficient allowance for outcomes that deviate from forecasts. This is what is meant by planning for flexibility. It means ensuring that unfavourable events do not inflict more damage than is strictly necessary, and that favourable ones are immediately utilised for the benefit of the country.

Projections of targets and trends are normally based on equations that assume stable relationships between economic variables. But both the parameters and the coefficients of these equations have recently undergone radical and as yet unknown changes. To give only one illustration: foreign trade patterns are not expected to be directly influenced by marginal adjustments to changes in tariffs or foreign exchange rates, but by the reactions of large industrial countries to their payments deficits; by the extent to which they deflate domestic demand or impose drastic import restrictions.

Contributing to these uncertainties, there will also be the way in which oil exporters will be using their vast surpluses, and in which monetary authorities will react to the movement of oil funds. It is events such as these that will largely determine Malta's future prospects.

Implications of Constant Prices Approach

It is important to emphasise that in the detailed projections of trends in investment, output, trade and other variables, which follow in this Chapter, values are expressed in constant 1973 prices. The adoption of a constant price approach is a statistical convention in development planning because even in normal circumstances it is difficult to anticipate price changes and how the terms of trade will shape. In present circumstances it is quite impossible to make a realistic estimate of price levels over the years of the Plan, because there is no objective basis on which one could reasonably endeavour to anticipate price movements.

It is appreciated therefore that a base 1973 price approach has its limitations, and it is possible to highlight

these limitations by reference to just one commodity. The balance of payments estimates which follow in Table IV 7 are related to 1973 oil prices. Oil prices have not yet settled but it is virtually certain that when they eventually firm up the level is going to be much higher than it was before October 1973. Moreover, there are many other essential commodities including foodstuffs and raw materials which are experiencing wildly fluctuating prices in world markets.

This serves to emphasize that, while the projections provide broad development guidelines from the 1973 viewpoint, the task of achieving the anticipated balance of payments over the Plan, and of achieving the other objectives, which in one way or another are related to this balance, will require constant surveillance of progress, and policy correctives will have to be applied as necessary to ensure attainment of viability.

Another preliminary observation concerns the extension of the various projections on to calendar year 1980. The Plan covers the period from 1 April 1973 to 31 March 1980. The Plan projections in national accounting terms relate, however, to calendar years 1973 to 1979. Projections, nevertheless, are also given for calendar year 1980. The objective of the Plan is to achieve and maintain a state of economic self-reliance on a continuing basis. The purpose of carrying the exercise forward, on to the first year following the end of the Plan, is to show what the position will be in the first year of economic "detachment". The picture that emerges is a positive one and it is envisaged that in that year the Maltese economy will be able to fend for itself.

POPULATION AND EMPLOYMENT

Full employment is both an objective and a means of attaining the Plan targets. A full employment policy is not merely intended to provide gainful occupation for every individual able and willing to work, but also to ensure that available human resources are used in the most productive manner.

In pursuing these objectives productive work has to be found for new entrants to the labour market, for those currently registering for employment, for those serving in the Pioneer Corps, and for those who are employed by the British Defence Departments whose employment will be terminated in accordance with the Agreement with Britain. In many sectors of the economy there is also an element of underemployment which constitutes a waste of valuable resources.

Planned labour redeployment is required, therefore, from sectors where workers can be spared without substantial loss, to where they are needed for higher production, to eliminate overmanning and other similar obstacles to efficiency. Malta must strive for the most rigorous standards of performance at all levels and cannot afford to have people working well below their capacities because of inadequate management, training and skill. Upgrading of labour skills and capacities will be an objective of public policy at all times.

Population

The projected Maltese population is shown in the following table:

Table IV 1

MALTESE POPULATION PROJECTIONS

	1973	1976	1979	1980
Males	143,000	141,700	141,500	141,500
Females	155,200	154,100	153,800	153,800
Total	298,200	295,800	295,300	295,300

The projections of Maltese population, excluding aliens, are framed on the following assumptions:

(a) Death rates and birth rates have been based on averages recorded during the years 1971 to 1973.

(b) Net emigration has been assumed at 3,500 persons for 1974, 3,000 persons per annum for 1975 and 1976 and 2,500 per annum thereafter.

Available Manpower

The economically active population is defined to include all males falling within the 16-64 age group and females within the 16-59 age range. Projections for these groups are given in Table IV 2.

Table IV 2

ECONOMICALLY ACTIVE POPULATION

	1973	1976	1979	1980
Males aged 16-64 years	87,900	89,500	91,300	91,600
Females aged 16-59 years	93,300	95,400	96,400	96,300
Total	181,200	184,900	187,700	187,900

Not all those persons coming within the economically active population will in fact be available for work for various reasons. The number actually seeking employment will be less. It is this number — the number of persons employed or in search of employment — which is defined as the labour supply. The projected labour supply is shown in Table IV 3.

Table IV 3

PROJECTED LABOUR SUPPLY

	1973		1976		1979		1980	
	Numbers	Participation Rate*	Numbers	Participation Rate*	Numbers	Participation Rate*	Numbers	Participation Rate*
Males	80,000	91.0%	80,100	89.5%	81,700	89.5%	81,900	89.5%
Females	27,508	29.5%	31,750	33.3%	34,200	35.5%	34,670	36.0%
Total ...	107,508	59.3%	111,850	60.5%	115,900	61.7%	116,570	62.0%

* Participation rates are based on the number of working and unemployed males as a percentage of males aged 16 to 64 years, and females working and registering for employment as a percentage of women aged 16 to 59 years.

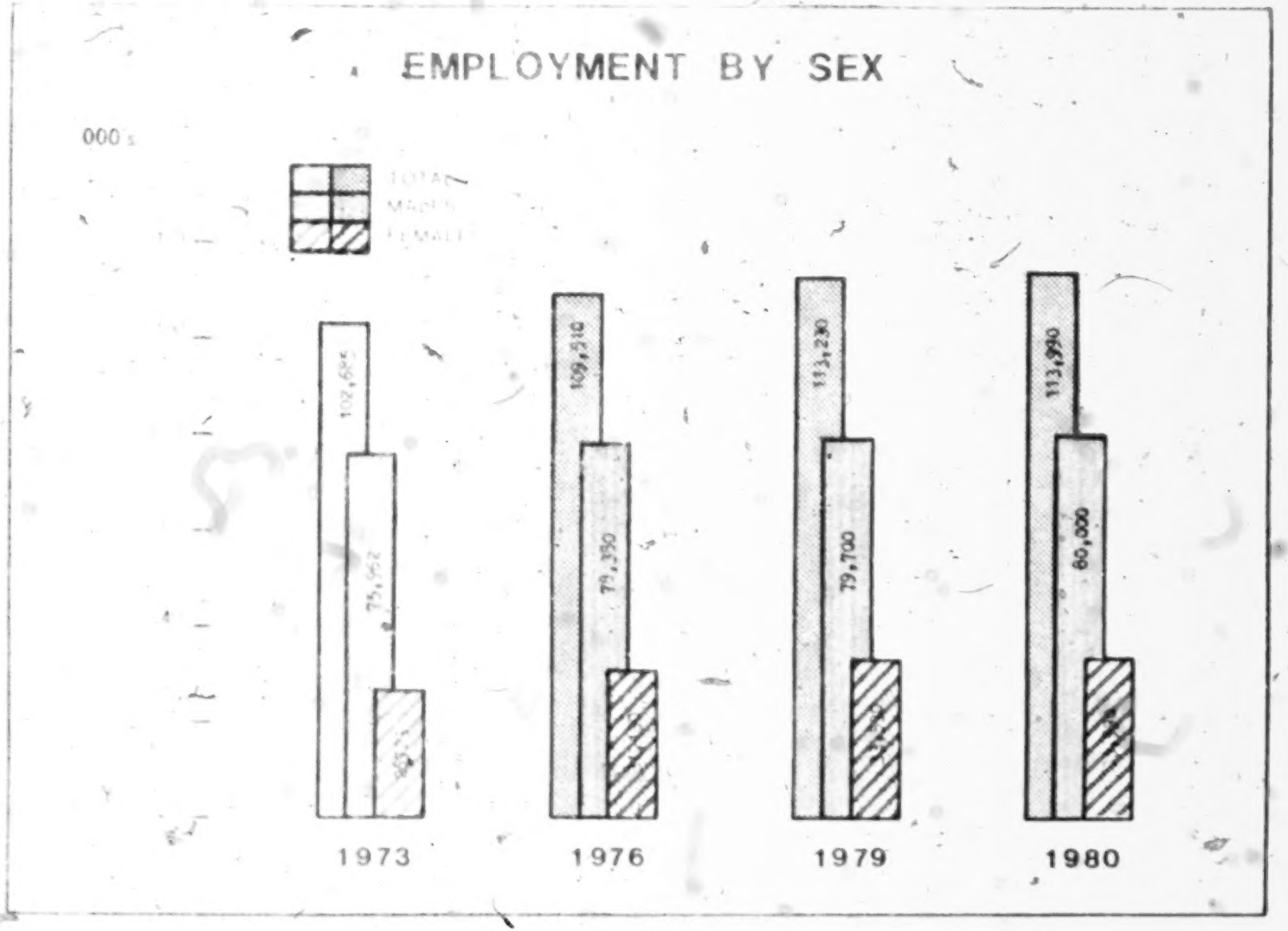
By 1979 the male labour force has been projected to increase by around 1,700 in spite of a relatively larger increase in the economically active age group. With full employment there will be a tendency for more men to continue at work after normal retiring age. On the other hand, account must be taken of the greater number of boys over 16 years who will still be attending school, and the fact that there will be a tendency for more of them to take advantage of the increased educational opportunities being made available.

Female participation in 1973 was about 29.5 per cent of the total active age group. In the Plan projection it has been assumed that the female participation rate will rise gradually to 35.5 per cent in 1979. Future female participation depends on several factors: the type of industry which will be established, the rapidity with which some of the social prejudices continue to disappear, and the priority which will have to be given to the employment of men.

As yet, married women have not been in a position to offer their full potential in raising the national output, and the economic return on the money spent in their education and industrial training has been relatively low, as women are usually required to give up gainful employment on marriage. It is anticipated that there will be increased scope for the participation in productive employment of married women, and women generally, in future. But the process could be slow and will be determined effectively by the growth of the economy. In future plans, and with men more or less fully committed, it will be the women who will provide the reserve of labour which may be needed.

Employment Objectives

Towards the end of 1973 the number of gainfully occupied persons was 102,685 — 75,962 males and 26,723 females. In addition a further 4,823 persons were registered as unemployed, bringing the total available labour force to 107,508 persons.


EMPLOYMENT BY SEX
000's
TOTAL
MALES
FEMALES
102,682
75,362
109,510
79,350
113,230
79,700
113,990
80,000
1973
1976
1979
1980

The total number of jobs needed by 1979 is estimated at 20,600. Around 10,100 jobs currently provided by the British Military Base, the Pioneer Corps and other sectors requiring less manpower, will have to be replaced by new jobs elsewhere in the economy. A further 2,100 jobs will be needed to lower the level of unemployment from the end 1973 figure of around 4,800 to some 2,700, or about 2 per cent of the labour force, while 8,400 jobs will be needed to occupy the anticipated increase in the labour force.

Table IV 4

NEW JOBS TO BE PROVIDED BY 1979

	Males	Females	Total
Total labour force in 1973	80,000	27,508	107,508
Projected labour force in 1979	81,700	34,200	115,900
Net changes in labour force	1,700	6,692	8,392
Replacement of labour	9,668	400	10,068
Jobs required to reduce unemployment to 2%	2,038	115	2,153
Total jobs required	13,406	7,207	20,613

The sectoral employment targets for 1976, 1979 and 1980 are given in Table IV 5.

Sectoral Employment

Scope for increased employment opportunities will be mainly in the sectors of manufacturing industry, ship-repair, ship-building and tourism. The agriculture and fisheries, Government, wholesale and retail trades, and other services sectors offer little prospect of increased employment during the Plan period. The assumptions and expectations relating to the projected sectoral allocations of labour set out in Table IV 5 are contained in the following paragraphs.

Maltese employed in the British Base

The number of job losses due to the running down of the British Services sector during the period 1973-1979 will be of the order of 4,900. Some of these job reductions will however occur through normal wastage. In addition some essential services, such as fire fighting, sea rescue and aviation services, now performed by British Base employees will continue to be needed and will be undertaken by persons in civilian employment within the transport and communications sector. As for the indirect employment currently generated by Services' expenditure, it is expected that sufficient new economic activity over the Plan period will be generated so that no significant loss of jobs in this respect will result from the rundown of the British Military Base.

Agriculture and Fisheries

In the past farmers and fishermen were attracted to industry when there were jobs to be had: an increased level of employment in industry will therefore be a factor tending to draw manpower away. On the other hand there is the fact that if Agriculture and Fisheries prove sufficiently profitable, and expand their scale of operations as planned, there will be less compulsion for farmers and fishermen to drift away. It is the declared policy of the Government to make farm work and fishing more profitable and efficient. In spite of all this, a small decline in the number of full-time farmers

Table IV 5

EMPLOYMENT PROJECTIONS

	1973			1976			1979			1980		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
1. Military Base ...	4,641	251	4,892	3,060	200	3,260	—	—	—	—	—	—
2. Agriculture and Fisheries ...	5,605	849	6,454	5,200	740	5,940	4,900	700	5,600	4,800	680	5,480
3. Construction and Quarrying ...	4,332	32	4,364	6,000	30	6,030	7,000	30	7,030	7,000	30	7,030
4. Malta Government ...	16,448	3,988	20,436	16,800	4,100	20,900	16,800	4,100	20,900	16,800	4,100	20,900
5. Industrial Enterprises ...	20,582	11,083	31,665	24,840	15,230	40,070	30,000	17,170	47,170	30,400	17,650	48,050
6. Hotels and Private Services ...	6,365	6,274	12,639	6,550	6,600	13,150	6,900	7,300	14,200	6,900	7,300	14,200
7. Other Services Sectors	13,667	4,246	17,913	13,840	4,230	18,070	14,100	4,230	18,330	14,100	4,230	18,330
8. Pioneer Corps ...	4,322	—	4,322	2,090	—	2,090	—	—	—	—	—	—
9. Gainfully occupied ...	75,962	26,723	102,685	78,380	31,130	109,510	79,700	33,530	113,230	80,000	33,990	113,990
10. Registered unemployed ...	4,038	785	4,823	1,720	620	2,340	2,000	670	2,670	1,900	680	2,580
LABOUR FORCE	80,000	27,508	107,508	80,100	31,750	111,850	81,700	34,200	115,900	81,900	34,670	116,570

Notes: Figures for 1973 are based on the November 1973 Manpower Census.
Item 4. Includes: Public Administration, Armed Forces Malta.
Item 5. Includes: Manufacturing industries, Drydocks, Gas and Electricity.
Item 6. Includes Hotels, catering, entertainment, domestic and personal services.
Item 7. Includes: Banking, insurance, real estate, wholesale and retail trades, transport and communications.

is to be expected; the number of part-timers will probably increase. The number of fishermen is expected to remain fairly constant.

Construction

Employment levels in this sector have been somewhat unstable during the last few years due to a variety of reasons which have induced labour to seek employment elsewhere. It is envisaged that employment in the building trade will rise, in due course, from its 1973 level in response to a higher rate of activity which will be sustainable over the longer term.

The construction work envisaged in the Plan to meet development requirements, on both private and public account, should contribute to this re-activation of demand, particularly in view of the anticipated absorption into this sector, as circumstances permit, of part of the Pioneer Corps who are now largely deployed on Government construction work. It is therefore expected that by 1979 the number of men engaged in the building and ancillary trades will reach about 7,000 which was the average annual number employed in the years prior to the building boom.

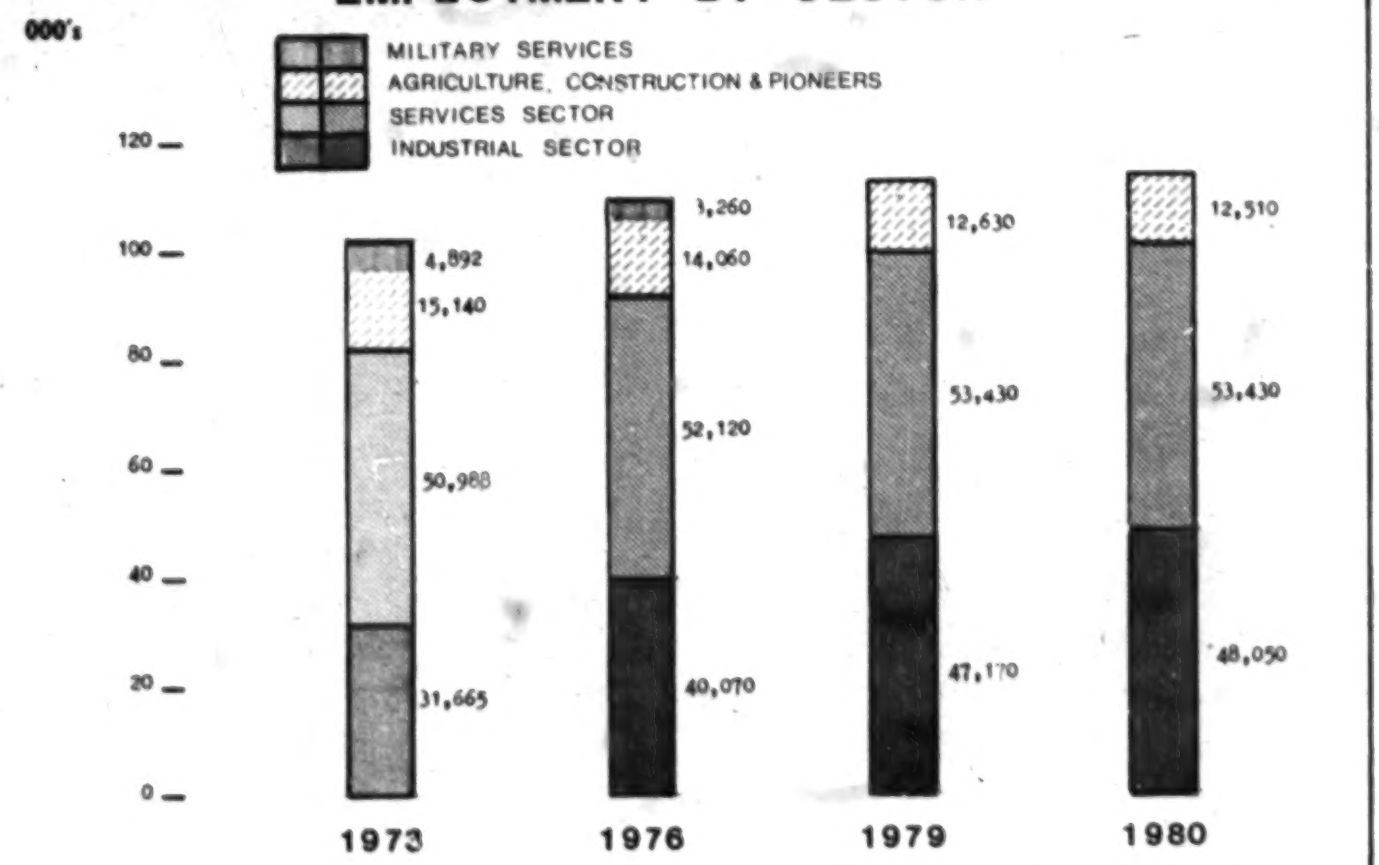
Government Employment

A general review of employment policy in the Civil Service has been carried out and reforms have been instituted to improve the quality of the service without increasing the numbers. Government employment is not projected to exceed 21,000. This number of civil servants for a population of less than 300,000 should be adequate to cope with the present workload, and with the additional tasks that will have to be undertaken as the Plan unfolds.

Manufacturing Industry

To meet the full employment objective it is estimated that by 1979 around 13,600 additional jobs (over end 1973) will have to be created by manufacturing industry. Around

EMPLOYMENT BY SECTOR



Note: SERVICES SECTOR includes: Hotels, Catering, Entertainment, Domestic and Personal Services, Banking, Insurance & Real Estate, Wholesale & Retail Trades, Transport and Communications, and Public Administration & Armed Forces Malta.

INDUSTRIAL SECTOR includes: Manufacturing Industries, Drydocks, Gas and Electricity.

12,400 are expected to be provided by new manufacturing projects and the balance will be provided by existing firms. Given the likely pattern of job mix in other sectors it will be necessary to ensure that, out of the 13,600 new additional jobs yet to be provided, some 7,500 will be for males.

The sectors most likely to provide jobs for men are metal manufacturing, engineering and associated activities. Other industrial lines which offer good potential include electrical engineering, chemicals and pharmaceuticals, rubber and leather products. These product lines involve a relatively high percentage of local value-added, are comparatively labour intensive, can call on locally available skills, and markets are not difficult to find.

Ship-repair and Ship-building

The number of workers employed at the Drydocks at the end of 1973 was around 4,950. A major rationalisation and re-deployment scheme has been in progress to secure better labour and plant utilisation as well as improvements in management and work techniques. Steps are being taken to broaden the scope of the work and to exploit, to the fullest extent possible, the capital assets in the Drydocks. The stage has now been reached where the Drydocks, which has hitherto been overmanned, requires and will be taking on additional labour. Within the existing Drydocks precincts the demand for labour is expected to rise by 1979 to around 5,400 persons. In addition the new giant Graving Dock will be providing jobs by 1979 for another 400 workers; and when the new ship-building Yard at Marsa comes into commission there will be need for further employment. The Marsa Yard alone will be generating employment for at least 1,000 other jobs by 1979. All told therefore the requirement of labour in the ship-repair and ship-building industry is expected to rise to around 6,800 by 1979.

Tourism and Personal Services

Hotels are now running at good occupancy levels after the relatively lean period of the early Seventies. The remarkable recovery of tourism is expected to continue

and employment opportunities will increase. With the envisaged Plan build-up of arrivals (370,000 by 1979), it will even be necessary to build new hotels towards the latter part of the Plan period.

On the assumption that a greater number of tourists will use hotel accommodation than hitherto, it is estimated that by 1979 the number of beds in hotels will need to be increased to some 10,500*. Employment in hotels is expected to rise to around 4,000, an addition of 1,000 over the average 1973 position. The expected increase in tourism, as well as the expected rise in general economic activity, are likely to create additional employment opportunities in related sectors.

"Other Services" Sector

The "Other Services" sector includes the wholesale and retail trades, banking, insurance and real estate, and transport and communications. This is a sector which over the years has built up its employment levels to an excessive extent; partly because labour was readily available and labour intensive methods of rendering these services could therefore be economically sustained. As openings in the directly productive sectors of the economy increase it will be possible and profitable for some of those engaged in "Other Services" to move to more directly productive jobs in other sectors, and this in turn will give scope for more efficient labour-saving methods in the services sector. The loss of persons working in this sector to more productive occupations will be offset by an increase in economic activity in the transport and communications areas. There will be a continuing need for civilian employees to carry out essential services now provided by British Military Base personnel. The Government is also developing Malta's own air and sea transport, and communication systems and these will generate new employment opportunities.

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* Vide Chapter V.

Pioneer Corps

The Plan aims at creating the number of jobs required, but inevitably there will be time lags between the coming on to the market of willing labour and the starting up of the industries, or other activities, which will eventually employ them. To avoid emigration or sham employment, the Labour Government set up the Pioneer Corps and manpower in excess of immediate requirements was able to join the Corps. Pioneers are engaged on essential infrastructural and other development projects such as the civil airport and the new Marsa traffic scheme. In this manner, manpower resources which for the time being cannot be absorbed in industrial and other activities can be occupied on useful work and make a positive contribution to development.

OUTPUT

Gross Domestic Product at factor cost is expected to grow in real terms at the rate of about 6 per cent per year. This growth will take place despite the phasing out of employment with the British Military Base which will have direct and indirect adverse effects on incomes. Offsetting this negative factor there will be the growth of the productive sectors of the economy which are forecast to increase their output at an average annual rate of about 8 per cent. This growth will result from an increase in employment in the production and trade sectors of about 15,000, and an average productivity rise per worker of around 4.8 per cent per year.

Sectoral Contribution to Output

Table IV 6 shows the projected sectoral contribution to gross domestic output for 1976, 1979 and 1980, as against actual experience in 1973. There will be significant changes occurring in each sector.

Table IV 6

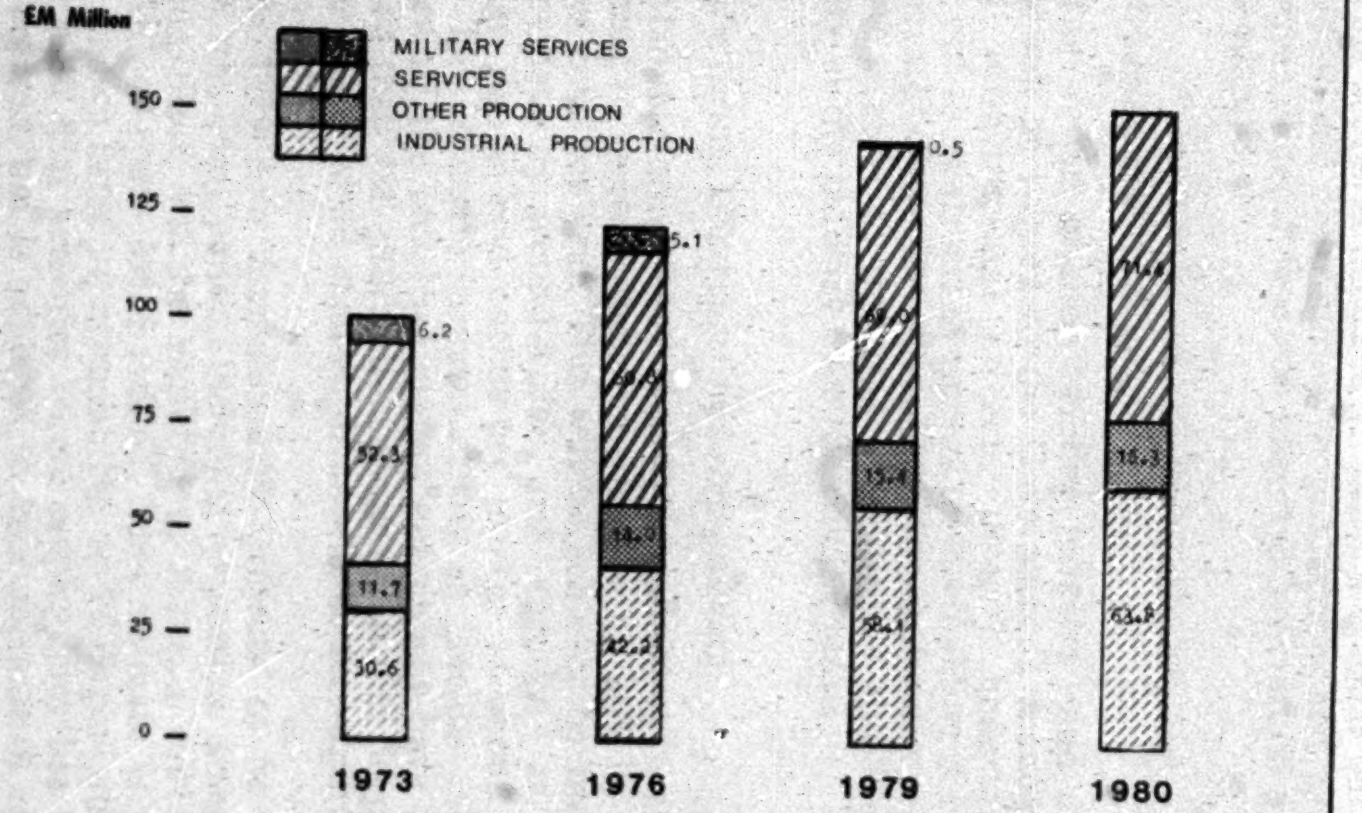
SECTORAL CONTRIBUTION TO GROSS DOMESTIC PRODUCT (1973 prices)

	1973	1976	1979	Average Annual Rate of Change 1973/79	1980
	£M million	£M million	£M million	%	£M million
1. Agriculture and fisheries ...	7.3	8.2	9.2	4.0	9.6
2. Construction and quarrying ...	4.4	5.8	6.2	5.9	6.7
3. Manufacturing, ship-repair and ship-building ...	26.7	37.6	52.7	12.0	58.0
4. Government enterprises	3.9	4.6	5.4	5.5	5.8
5. Hotels and private services	6.6	9.7	11.7	10.0	11.8
6. Other services ...	22.4	25.2	28.2	4.0	29.4
TOTAL PRODUCTION & TRADE ...	71.3	91.1	113.4	8.0	121.3
7. Public administration	15.8	17.8	20.3	4.2	21.2
8. Military Base Depts.	6.2	5.1	0.5	−34.3	—
9. Property income from domestic sources	7.5	8.1	8.8	2.7	9.0
GDP at factor cost	100.8	122.1	143.0	6.0	151.5

Notes: Projections in the above table do not take account of price increases after 1973.
Item 4: Includes Gas, Electricity, Milk Marketing, Posts and Telephones, etc.
Item 6: Comprises Transport and communications, Wholesale and retail trade, Insurance, banking and real estate.

GROSS DOMESTIC PRODUCT at factor cost

1973 prices



Note: SERVICES include: Wholesale & retail trades, Hotels & personal services, Public Administration, Transport & Communications, Banking, Insurance & real Estate, and Income from domestic sources.

OTHER PRODUCTION includes. Agriculture & fisheries, Construction & quarrying and oil drilling

INDUSTRIAL PRODUCTION includes: Manufactur g industry, shiprepair & ship-building and Government enterprises

Agriculture and Fisheries

This sector is expected to make a gradual but important additional contribution to production, and to reduce the degree of dependence on imported agricultural products and foodstuffs.

Construction and quarrying

The output of the building industry and ancillary trades will be related to the Government's economic and social infrastructural projects, directly undertaken or given out to contract, as well as to the building demand of the private sector. The aim will be to phase work schedules in both sectors to maintain a reasonably stable level of activity in the industry over the coming years.

Manufacturing, ship-repair and ship-building

Manufacturing firms already in operation in 1973 are expected to increase their contribution to GDP by around 4.7 per cent per year. This will be achieved by increasing employment by around 1,200 and through an annual average rise in real output per worker of about 4.5 per cent. This increase in productivity is feasible especially in view of the fact that certain enterprises have not yet reached their full production potential. About 50 per cent of the output of all existing firms will be for export.

By 1979 new manufacturing projects to be set up during the Plan period, including expansion schemes by existing firms, will be required to make a contribution to GDP of some £M15 million. This estimate is derived from known rates of contribution to GDP per worker in those industrial activities where employment has already been created, but is adjusted to take account of expected technological improvements, and of the fact that the majority of new firms will still be in their initial years of production during the Plan period and will therefore be operating below full potential. Around 85 per cent of production of the new enterprises will be for export.

The Drydocks has already attained a viable basis of operations. There will be continuing emphasis on efficiency and productivity which will give rise to higher output. Production will be further increased with the commissioning of the new big Graving Dock, now under construction, and an even greater impetus will be given to output of the ship-building and ship-repair sector when the Marsa Yard comes into operation. The 1973 contribution to GDP of the sector is expected to be doubled by 1979.

Government Enterprises

Public utilities and other Government enterprises, such as Milk Marketing, Posts and Telephones, will increase their contribution to output to help maintain the rising level of economic development. There will be heavy investment in this area and rationalisation and improved efficiency will also raise this sector's output.

Tourism and private services

The target of 370,000 tourist arrivals for 1979 entails an average annual rate of growth of about 10 per cent over the 1973 inflow of about 211,200. This is an attainable objective considering the growing volume of Mediterranean tourist traffic and the measures being taken by the Government to publicise Malta, diversify sources of origin, improve communications and generally build up this sector as a major source of foreign exchange. It is also a target within Malta's absorptive capacity, particularly if the increase in numbers is achieved by way of a better seasonal distribution.

The contribution of tourism to GDP depends on the amount spent by tourists in Malta after allowing for expenditure on imports. With the contemplated diversification of manufacturing and agricultural output, some degree of import substitution should be possible, thus increasing this sector's economic contribution.

Assuming that an average of 60 per cent of projected tourist arrivals will be staying in hotels, and taking an average length of stay of 12.9 days at an average daily expenditure of £M5.8 per tourist, gross foreign earnings are estimated to reach £M27.6 million in 1979. Both the length of stay and the rate of daily expenditure are taken at conservative levels, and allow for the fact that an increasing proportion of total traffic growth is expected to consist of off-season and shorter-stay visits.

The catering, entertainment and personal services industries are expected to increase their contribution to the value of output, in line with the progress made in tourism and with the general improvement in living standards.

Other Services

The "Other Services" sector comprising transport and communications, wholesale and retail trades, insurance, banking and real estate is expected to make an increasing contribution to output in step with the rate of general development. This will be achieved mainly by way of increased productivity as well as through higher levels of activity.

Public Administration

The contribution by public administration is planned to rise at an annual average rate of 4.2 per cent, which will reflect the growth of real earnings in this sector. This target also takes account of fuller utilisation of personnel and improved efficiency through organisational changes.

FOREIGN TRADE AND PAYMENTS

Trade in Goods and Services

The major foreign exchange sources other than the foreign Military Base are: exports of manufactured goods, tourism, ship-repair and ship-building. It is estimated that

during the Plan period the volume of exports of goods and services, excluding services to the British Military Base, will be required to rise by 12 per cent per annum. Exports of goods are estimated to increase in volume by an average rate of 14.3 per cent per annum. This substantial increase of more than double the volume exported in 1973 will be achieved by the establishment of new enterprises and by more efficient use of the installed capacity of industries already in operation.

The anticipated increase in production, consumption and investment will entail an increasing quantity of imports. It is estimated that the volume of imported goods and services will have to rise by around 7 per cent per annum to meet these requirements. The build-up of the manufacturing sector will place heavier demands on imports of capital goods, industrial supplies and intermediate components. It is to be expected, therefore, that these import requirements will rise fairly steeply in the coming years, and are likely to account for a larger proportion of total imports than hitherto, although attempts to achieve increased vertical integration between industries could make possible some saving in this type of imports.

Higher living standards will also lead to an increase in consumption and in the demand for imported consumption goods. This increase will have to be maintained at a level compatible with the overall rise in national product, and within the limits set by balance of payments considerations. Greater emphasis will be placed on import substitution, wherever this is economically feasible and advantageous.

The Balance of Payments

Table IV 7 gives projections for exports and imports of goods and services, and for payments on Current Account expressed in terms of constant prices, with 1973 as the base year. The uncertainties attending any attempt to estimate future import costs with any degree of assurance have

Table IV 7

BALANCE OF PAYMENTS CURRENT ACCOUNT

(1973 prices)

	1973 £Mm	1976 £Mm	1979 £Mm	Average Annual Rate of Change 1973/79 %	1980 £Mm
EXPORTS:					
Goods (f.o.b.) ...	35.9	53.9	80.1	14.3	91.6
Services	39.3	46.4	46.7	2.9	46.1
TOTAL	75.2	100.3	126.8	9.1	137.7
IMPORTS:					
Goods (c.i.f.)	88.1	112.2	134.5	7.3	145.0
Services	9.9	11.0	12.5	4.0	13.0
TOTAL	98.0	123.2	147.0	7.0	158.0
BALANCE OF TRADE	−52.2	−58.3	−54.4		−53.4
BALANCE ON GOODS AND SERVICES ...	−22.8	−22.9	−20.2		−20.3
Net investment income from abroad ...	7.5	8.7	9.0	3.0	9.2
Current transfers (net)	9.0	9.5	11.1	3.5	11.4
Military Base Rent, grants, etc.	18.9	15.0	1.0	−38.7	1.0
CURRENT A/C BALANCE	+12.6	+10.3	+ 0.9		+ 1.3

Note: Projections in the above table are based on estimated changes in volume but do not take account of price increases after 1973.

already been mentioned. The biggest imponderable of all is oil and it has been emphasised that the 1973 constant prices approach does not take account of the virtual certainty that import prices will be very much higher.

As the table shows, by the end of 1979 the net negative balance on goods and services transactions is expected to narrow marginally. During the Plan period this negative balance will be partly offset by net income from foreign investments together with current transfers. These will include pensions received from abroad and personal remittances such as inward transfers of money by Maltese migrants abroad, and by foreign residents in Malta. In addition there will be the receipt of £14 million by way of rent for the use of the Military Base, and the receipt of grants from foreign countries under bilateral arrangements.

Apart from the receipts on Current Account there will also be capital transfers by foreign entrepreneurs for investment in Malta, the loan monies available to Malta under the various agreements, together with other capital inflows. It is expected that all such inflows of capital will, along with the credit balance on Current Account, produce a positive overall balance of payments position in 1979.

For the Plan period as a whole it is anticipated that, allowing for the increase in volume of foreign trade, valued at 1973 prices, there will be an aggregate credit on Current Account of around £M70 million. On any reasonable reckoning however one will have to assume that there will be price variations as the years of the Plan progress. Even if import prices and export prices were to rise in the same proportion, Malta's economy would suffer because the country starts with an excess of imports over exports. The situation would be worse if, in addition to price increases, Malta's terms of trade were to deteriorate. Even more would then have to be produced at home to reduce imports, and efforts to step up exports would have to be further intensified. It will be the Government's policy to improve export competitiveness and important instruments for this purpose will be management of the exchange rate and trade policies.

The projected surplus over the several years will therefore be affected by how the terms of trade actually move. There is a whole spectrum of assumptions one could make, and the difficulty of making reliable projections when prices of commodities are undergoing such violent and sudden changes has already been stressed in the introductory section of this Chapter.

Even if the problem was to be narrowed down to one commodity — oil — any endeavour to assess the balance of payments effects of the price disturbance at this stage would be sheer guesswork. It might however be of some interest, purely as an academic exercise, to view the future payments position in terms of a very crude and rough rule of thumb.

During the Plan period imports of oil at 1973 base prices are reckoned to cost £M42.2 million, of which about 50 per cent may be assumed, if past experience is anything to go by, to be retained for home use, with the rest re-exported or used as an input of goods produced for export. For the Plan as a whole, the credit on Current Account is reckoned at an aggregate amount of some £M70 million. In reckoning on the likelihood of a total current surplus of this amount, allowance has therefore been made for an element of retained fuel cost of the order of £M21.1 million.

For the purpose of this rough exercise the price of fuel is anticipated to flatten out at anything from three to four times the old 1973 level. If the price of fuel settles at three times the 1973 level, the net additional burden on the Current Account can be presumed to be a further £M42.2 million, and the aggregate current surplus would be correspondingly lower. Similarly, if the oil price rests at around four times the 1973 level, the positive balance on Current Account for the Plan as a whole would be largely eroded. This serves to show that the fuel element alone has put the balance of payments at considerable risk.

RESOURCES AND THEIR USE

The total volume of goods and services (both home produced and imported) available within the economy must be apportioned in a manner so as to promote the development objectives. The set targets for growth of domestic production and of imports will lead to an increase of about 6.5 per cent per annum in the total volume of goods and services available for consumption, investment and export. The target for exports (increase in volume of exports of goods and services net of the reduction in earnings from the British Military Base) has been set at 9.1 per cent yearly. This target implies that by 1979 the proportion of exports out of the total resources available will be about 43.7 per cent. The balance of 56.3 per cent will be available for consumption and investment.

In the Maltese economy everyone is by and large free to choose how to distribute one's income between consumption and saving. The Government however must ensure that the allocation of resources, between consumption and investment, is conducive to future economic growth and measures will if necessary be taken to induce the desired pattern of resource use.

The following section gives an indication of what is regarded as a desirable allocation of available goods and services which would facilitate fulfilment of the overall economic and social objectives. While it is possible to indicate broadly the magnitudes of public expenditure to meet certain development needs, it is not possible to predict private decisions with certainty, or the precise effect of the various policy measures which may be brought to bear to influence the desired allocation. This element of uncertainty in respect of private decisions, therefore, necessitates flexibility in the Government's expenditure programme to counteract, if necessary, any shortcomings on the part of the private sector during the Plan period.

Table IV 8

SOURCE AND ALLOCATION OF RESOURCES

(1973 prices)

	1973 £M million	1976 £M million	1979 £M million	Average Annual Rate of Change 1973/79 %	1980 £M million
SOURCE:					
GDP at factor cost ...	100.8	122.1	143.0	6.0	151.5
Imports of goods and services	98.0	123.2	147.0	7.0	158.0
TOTAL	198.8	245.3	290.0	6.5	309.5
ALLOCATION:					
Consumption:					
Private	77.7	87.3	99.0	4.1	104.2
Government	22.3	25.5	29.0	4.5	30.3
Investment:					
Fixed	20.6	28.8	31.2	6.9	32.8
Stocks	3.0	3.4	4.0		4.5
Exports of goods and services	75.2	100.3	126.8	9.1	137.7
TOTAL	198.8	245.3	290.0	6.5	309.5

Note: Projections in the above table are based on estimated changes in volume but do not take account of price increases after 1973.

Consumption

Essential development objectives are an improvement in living standards and better income distribution. Realisation of these objectives will be reflected in an increased expenditure on consumption by private individuals and by the Government in the provision of social and other services. The Plan provides for a steady rise in consumption but the rate of increase must be kept below the average rate of growth of income, in order to permit the channelling of a sufficient flow of financial resources into investment to secure future consumption growth.

Government consumption comprises provision of education and health services, expenditure for the maintenance of law and order, general administration, and a host of other services normally provided by the modern state. During the Plan period public consumption expenditure will grow mainly in social priority areas.

Investment

The Plan projections of private investment are not based on specific intentions since these cannot be ascertained. The estimates presented here are based on studies of requirements, and on the desired response to the Government's efforts and inducements to promote productive activities. Table IV 9 shows an estimate of investment expenditure during the Plan period.

Table IV 9

INVESTMENT PROJECTIONS FOR 1973 TO 1979

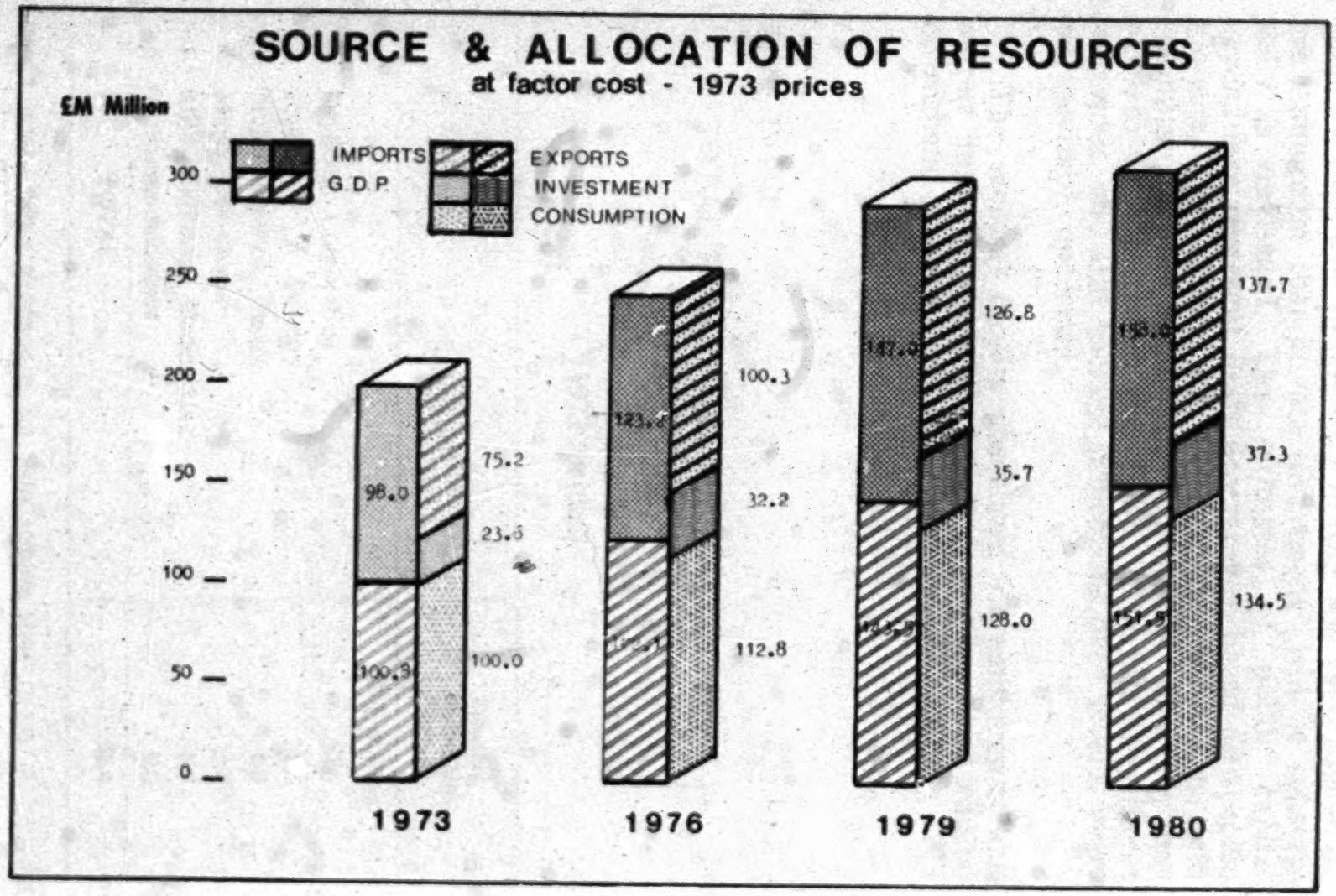
(1973 prices)

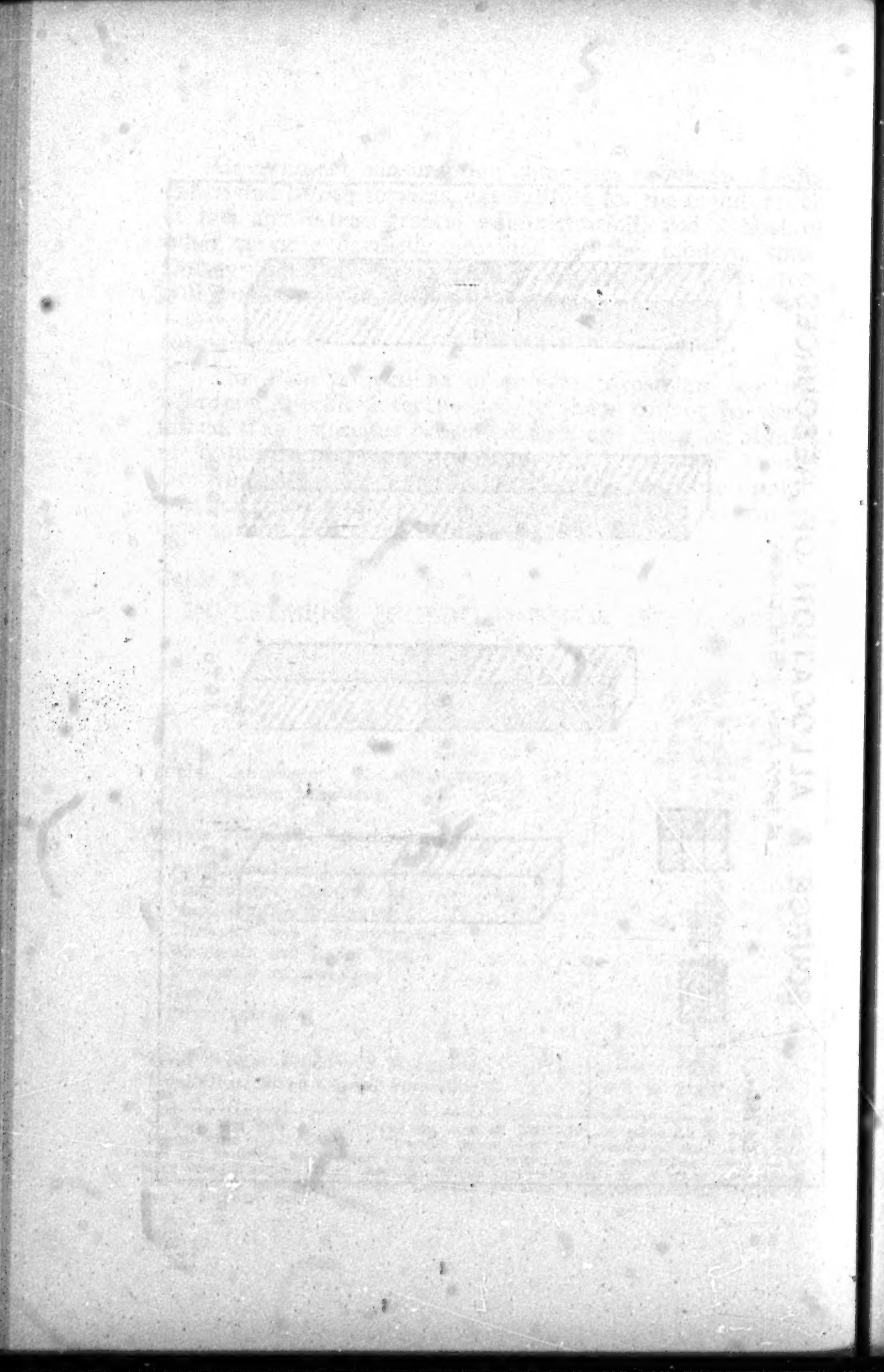
	Total 1973/1979
	£M million
Public investment in infrastructure and productive activities	94.2*
Private Productive Investment:	
Agriculture and Fisheries	2.2
Construction, Building, etc.	2.5
Manufacturing Industries	57.5
Transport and Communications	24.5
Wholesale and Retail Trades	3.6
Ownership of dwellings	14.0
Hotels	9.2
Private services	5.5
Total Private Productive Investment ...	119.0
Total Gross Fixed Capital Formation	213.2

* This total does not tally with the sum of £M112.7m in tables IV 10 and IV 11 because there is an element of "transfer expenditure" — payments in cash, or on outlays not involving fixed capital expenditure in Malta in the conventional sense — of some £M18.5 million. These payments include equity subscriptions to public corporations and industrial enterprises; property purchases and land acquisition payments; outlays on tourist publicity, etc.

SOURCE & ALLOCATION OF RESOURCES

at factor cost - 1973 prices





Tables IV 10 and IV 11 give an abstract of the Government's investment programme during the Plan period on the assumption that private investment will be substantially as envisaged. The estimates of public capital expenditure represent draft programmes based on specific projects. They should not, however, be regarded as rigid commitments both because of the possibility that they may have to be adjusted in the light of private investment behaviour, and also because projections over several years are inevitably uncertain.

The sectoral targets postulated for employment and output imply an overall target for gross fixed capital investment of around £M213.2 million, at constant 1973

Table IV 10

TOTAL PUBLIC SECTOR INVESTMENT — PRODUCTIVE

(1973 prices)

	Estimated Expenditure 1973/80
	£M million
1. Drydocks Corporation	20.0
2. Investment in Industry	21.6
3. Malta Electricity Board	5.0
4. Malta Gas Board	0.4
5. Milk Marketing Undertaking	0.4
6. Telecommunications	9.0
TOTAL	56.4

Item 2 includes further investment in Sea Malta and Air Malta.

prices, for the whole Plan period. Of this total, £M119 million are expected to be invested in direct productive activities by the private sector and £M94.2 million by the Government on infrastructure and social capital projects, as well as on direct productive activities.

In respect of the public sector's infrastracture investments, estimates of investment costs are based on past experience and knowledge about likely developments, and again assume constant 1973 prices. Various criteria were used to estimate investment requirements in the productive sectors. In those cases where activities, similar to those proposed, already exist in Malta, past experience, together with an allowance for technical improvements, have been taken as a basis. In respect of new activities use has been made of international profiles with adjustments for local conditions.

The rate of growth and the capital needed to support it will require an investment rate of 25 per cent of GDP. This is in excess of the current rate of domestic savings. In the early years of the Plan the finance from British rental payments, and the funds obtained by the Government from other foreign sources, will supplement domestic savings. But one of the objectives of the Plan is to increase the rate of domestic savings to about one-fourth of GDP, required after 1979 for self-reliant economic growth. Maltese private and public savings will continue to be given an opportuntity to play an increasing role in economic development. There will also be room for direct private investment and loans from foreign investors preferably in joint ventures with local capital. Financial institutions will be created, which will be intermediaries between the sources of savings and the entrepreneurs requiring investment finance, channelling funds in the right forms, on the right terms, to the recipients according to Plan priorities.

Table IV 11

TOTAL PUBLIC SECTOR INVESTMENT — INFRASTRUCTURE

(1973 prices)

Item	Estimated Expenditure 1973/80
	£M million
1. Electricity	0.5
2. Water	4.0
3. Roads	5.2
4. Ports	3.0
5. Civil Airport	5.5
6. Sewers	2.6
7. Industrial Development	6.2
8. Tourism	2.8
9. Agriculture	2.8
10. Fisheries	0.4
11. Education	1.8
12. Health	4.0
13. Housing	12.0
14. Antiquities*	0.2
15. Public buildings and property	5.3
TOTAL	56.3

* Excludes expenditure out of £1,000,000 for historic buildings provided by the British Government as part of the 1972 Agreement.

PART III

GROWTH SECTORS AND INSTITUTIONS

CHAPTER V

GROWTH SECTORS

MANUFACTURING INDUSTRY

Large Scale Establishments

Healthy industrial expansion, on the scale envisaged by the Government, is crucial to the entire development effort and to a viable economic structure. The various growth areas in the Maltese economy are in fact all geared in one way or another to the performance of the manufacturing sector with the increased employment opportunities and higher output this will generate. The relevance of this sector in terms of achievement of total Plan targets can be seen in the following specific projections:

(a) growth in employment opportunities: in 1973 manufacturing firms employed 25,848 workers. By 1979 the employment figure is expected to have built up to 39,470 persons;

(b) growth of the economy: in 1973 the manufacturing sector contributed £M22.1 million (21.9 per cent) to the Gross Domestic Product. By 1979 this contribution is expected to rise to £M44 million (30.8 per cent);

(c) exports: manufacturing exports in 1973 totalled £M30.9 million. By 1979 Malta's exports will have increased to £M71.4 million, at constant 1973 prices.

The set targets are realistic. The Government will be undertaking a number of measures — including infrastructural works and the strengthening of the existing institutional framework — which will help ensure that the programme of industrialisation is fulfilled. Co-operation between the Government and private industry should also help to secure the realisation of these targets.

Expansion of existing enterprises

It is anticipated that industry will expand significantly through an increase in the scale of operations of firms already in production. There are a number of firms which have been in operation for some time but have still not realised their full potential production due to insufficient demand and other difficulties. There are others which have only recently been set up and these too should gradually be able to operate at levels of output and efficiency more commensurate with their capacity.

This area offers ample opportunity for improvement and the Government will endeavour to assist to the fullest extent possible. Greater marketing efforts and use of the contacts provided by the Foreign Office and its representatives abroad, together with Government-sponsored participation in foreign trade fairs, should help to secure export markets and to tap new sources. This could also be achieved by the negotiation of bilateral and multilateral trade agreements and by improved sea and air communications. Higher volumes of exports may similarly be stimulated by participation in the General Schemes of Preference in developed markets, and by the lowering of tariff barriers abroad under the EEC Association. All these opportunities should in the long run enable firms producing for export to build up their sales in established markets and secure new, diversified outlets for their goods on an expanding scale.

But although secure markets are the basis for the healthy development of industrial activities, and intense marketing efforts to seek and win new buyers should eventually bear fruit, attention to production techniques and management efficiency is no less vital. These considerations ultimately have a direct bearing on cost and quality and will determine Malta's ability to meet market demands and to hold on to the markets available. It is here that the Government will seek to instil and encourage a greater appreciation of the benefits to be derived from increased all round efficiency and higher productivity. It is this access to modern know-how and production methods that this type of industry needs.

New Enterprises

New industries are given a particularly important role in the attainment of the production, export and employment objectives of the Plan. Malta seeks to attract industries which can hold their own in the international field without having to be supported by expensive financial and fiscal aids. The Government will encourage private initiative in industry. Joint ventures between Maltese and foreign interests are a particularly desirable form of association when the local interests can be assured access to foreign technology, know-how and markets on conditions which are not prejudicial to the national interest. At the same time the Government will participate directly in industrial development through joint ventures or other forms when desirable objectives cannot be otherwise attained, or where considerations of public interest are involved.

The Government will seek to attract projects which use predominantly male labour, provide employment openings for locally available skills and offer training in new skills. The appraisal of a new project will also give regard to the ultimate market prospects, extent of import substitution and optimum scale of production; the possibility of linkages with existing or other prospective industrial processes; the amount of added value and transport costs.

Foreign Investment in Malta

Malta's mixed economy thus sees a role not only for local private and public initiative but also for foreign enterprise. Suitable direct foreign investment can make an important contribution to Malta's development. It is particularly welcome when the source is a well established foreign company with a sound financial basis, with expertise and research facilities and with established markets which could be put at Malta's disposal on a basis of partnership.

Foreign investment in Malta is particularly desirable when the projected development mobilises domestic resources on a basis of risk and profit sharing. Thus, firms that enter into ventures with local capital (either private or public), firms that generate many jobs in relation to the capital invested, and which train Maltese workers in skills of continuing value to Malta, will be preferred to those that merely create offshore enclaves of their parent companies.

EEC companies transferring part of their production to Malta, will find this particularly attractive, as they are normally not hampered by Rules of Origin. Companies from countries outside the EEC, such as Japan, USA, Canada or Switzerland will find Malta equally attractive for the production of commodities to be exported into the EEC and other industrialised countries at sharply reduced or nil tariffs.

To benefit as much as possible from Malta's Association Agreement with the EEC, it is important that industries setting up in Malta should produce commodities which come within the Rules of Origin which govern the Agreement. It is also important, with the various Generalised Schemes of Preference introduced in the Common Market, Japan, the East European Bloc, the USA and other developed economies, that Malta should encourage the setting up of industries geared to the production of items qualifying under these various schemes.

Other important advantages for foreign companies to locate subsidiaries in Malta include:

- a favourable reception for Malta-made manufactured goods in the Arab countries and China
- a disciplined, highly adaptable and relatively inexpensive labour force
- a well developed infrastructure and social environment
- proximity to Europe's main industrial centres and to the growing markets in Africa and the Middle East
- political stability and industrial peace.

The Government will continue to give the confidence that forward-planning by foreign business and a long-term commitment to the Maltese economy require. Private firms are often deterred from investing in developing countries by the fear that bureaucratic red tape will cause delays or that sudden changes in policy with respect to capital repatriation or repatriation of profits will upset their plans. The Government guarantees the continuing freedom to repatriate both capital and profits, and that it will respond to foreign initiatives with the necessary speed.

In keeping with the spirit of the consensus which motivates the Plan, and also because of the practical benefits which would derive from consultation between partners in a national endeavour, the Government considers that it would be appropriate to set up a top level Industrial Advisory Committee. The object of this Committee would be to provide a forum for the exchange of views between the Government, unions and leading industrialists on all matters bearing on the growth and consolidation of Malta's vital industrial sector, and relating to the production of goods for export in particular.

Factory Building Programme

The Government will be actively concerned during the Plan period to ensure that industrial development is not, in any way, slowed down for lack of readily available and suitable factory accommodation.

In 1971 the problem was not lack of factory accommodation but the stock of empty factories at Bulebel and elsewhere for which there was no demand. There were also the premises vacated by enterprises which had ceased operations, while there were a number of factories with three or four times the space actually required. Rationalisation of operations in these factories was subsequently undertaken and empty space was eventually recovered.

Since the Government started its intensified industrialisation programme, it has been possible to accommodate over forty new enterprises using empty or underutilised factory space(*). Moreover, premises which had been formerly occupied by the British Services were converted to factory use and some are temporarily housing projects in their initial stages of production.

The Government has recently launched a new factory building programme since almost all formerly unutilised or underutilised space has now been put to productive use. The new programme includes:

(a) expansion of existing factories — the accommodation available in some factories has been limiting higher production and, consequently, extensions are being carried out on Government account to provide additional factory space;

(b) building tailor-made factories — policy in this sector is particularly flexible and provides both for the entrepreneur who would prefer to build his own premises on a serviced site within an established estate area and for the industrialist who would rather lease Government-built premises;

(c) building standard factories — this programme consists of the construction of about 25 factories most of which are scheduled to be completed during 1975 and 1976. A number of these factories have already been booked.

The Government's factory building programme will be determined by the pace of industrial expansion and more standard factories will be built as necessary. The building

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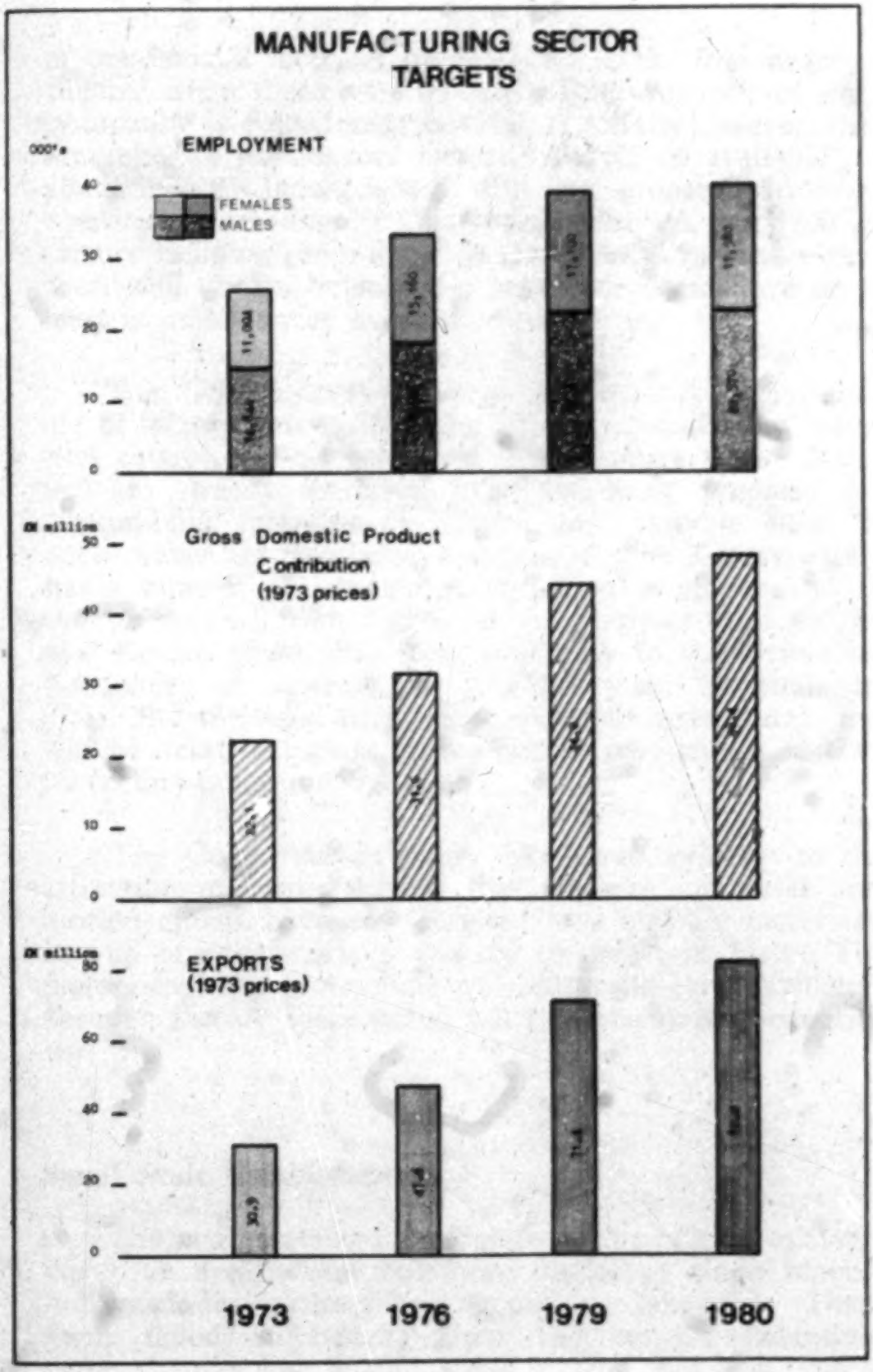
(*) Apart from vacant factories in the Bulebel Estate, these factories include recovered premises now occupied by Heidemann, Malta Footwear, Marsa Water Fittings, Paul Green and Carl Walter.


MANUFACTURING SECTOR
TARGETS
000's
EMPLOYMENT
FEMALES
MALES
40
30
20
10
0
R million
Gross Domestic Product
Contribution
(1973 prices)
50
40
30
20
10
0
R million
EXPORTS
(1973 prices)
80
60
40
20
0
1973
1976
1979
1980

of pre-demand factories on the scale of the first phase of Bulebel when there were no reasonable prospects of early occupancy is considered wasteful. It is felt, however, that a number of pre-demand factories should be available for allocation to industrialists who are prepared to start operations immediately. The Government will carry out its factory building programme in a way so as to ensure that there will always be factories ready for occupation or at least in an advanced stage of construction.

The Government will urge industries to make full use of factory space within the limits of the existing industrial estates, or extensions of these estates where facilities are already available. Sites are being prepared for custom-built factories at Kordin and suitable sites in other areas are also being considered. The Kordin estate has a number of advantages including economies which can be derived from access to the Harbour through the new Kordin Road, and from proximity to the Drydocks. Economies of location, the availability of essential services, and the need to preserve valuable agricultural land will be decisive factors in determining the choice of sites for factory building.

The Government's policy has given priority to the attraction of entrepreneurs; the intensive industrial promotion efforts have now resulted in a steadily increasing line-up of entrepreneurs wishing to invest in Malta. The factory building programme will thus yield early dividends through factory space being put to immediate productive use.

Small Scale Establishments

The small scale and handicraft sectors of local industry cover an area which has been neglected since Malta's industrial development programme was launched. These firms failed to benefit from the various incentives under the old Aids to Industries scheme, and it is evident

that the economic role and the social value of these small concerns, in Malta and Gozo, which are usually family run, has not been sufficiently appreciated.

In 1972 there were 1,886 establishments in the manufacturing sector, each employing fewer than 40 persons. These provided employment for about 7,600 persons and accounted for 5.4 per cent of Gross Domestic Product.

Small scale enterprises operate under considerable handicaps. The most severe limitations appear to be imposed by shortage of capital and inadequate access to credit, obsolete machinery and outdated production methods. Moreover, isolation from technical developments abroad and a serious lack of proficiency in management techniques have also contributed towards low productivity at most levels of production. The narrow base of operations of these establishments has also prevented economies of scale and tended to inhibit co-operation among firms in the same line of production.

The Government is determined to stimulate small scale production and is already implementing a scheme, in concert with UNIDO, which will seek, through visits to individual firms and advice on both short term and long term improvements in productivity, to inculcate awareness and practice of modern production techniques. Integration of existing small enterprises as well as traditional crafts and artisan activities in the general industrial framework will be encouraged, so that they can complement the activities of the larger industrial ventures, making their contribution to the manufacture of different types of products and possibly working in some form of subcontractual relationship wherever feasible.

The Government will also be seeking to encourage and induce small units to avail themselves of all possible opportunities for specialisation and fuller utilization of skilled manpower in a wide variety of product lines. These enterprises will add another dimension to the pattern of industrial development.

In regard to the handicraft sector, a comprehensive programme of development and modernization is being undertaken. This programme seeks to develop promotional activities, improve standards of design in the light of trends in fashion and taste, and infuse a creative ability, to exploit fully the wide range of handicraft products which can be profitably made in Malta.

A first step in this direction has been the setting up of a crafts village at Ta' Qali where craftsmen are grouped together to enjoy the infrastructural amenities which the Government has put at their disposal. These amenities have been designed to facilitate manufacture of the various items under modern conditions, as well as to facilitate production and marketing so that some of the advantages of large scale production can be reaped.

The Government's plans also envisage the opening of a school for craftsmen to provide specialised training in the production of artistic handicrafts. This school should turn out a number of able craftsmen for the future with an appreciable level of artistic skills and high standards of creative ability in line with the new image this sector will be aiming to assume over the next few years.

SHIP-REPAIR AND SHIP-BUILDING

The Government's objective is to establish Malta as a leading ship-repair and ship-building centre in the Mediterranean, as well as to develop the country's potential for heavy industrial engineering work, particularly on the marine side. The Drydocks until 1971 had subsisted mainly as a ship-repair business with an unfortunate history of mismanagement, lack of vitality and industrial unrest which the Labour Government immediately tackled on assuming office in June 1971.

The rehabilitation of the Drydocks has been achieved in circumstances which reflect the highest credit on both workers and management. Industrial democracy has been established and the workers already have a decisive voice

in running this crucial sector of the Maltese economy. Along with participation in responsibility for the running of the enterprise, there has been a willingness on the part of all concerned to discard traditional attitudes and to raise productivity through greater flexibility. The record speaks for itself: an industry which was losing at the rate of £M3.7 million in 1970/71 (a sum amounting to more than its total turnover), has not only more than doubled its output since then but has also, in so doing, generated sufficient income and made sufficient savings in production costs to leave a profit margin in 1973/74. The Drydocks is continuing to improve its trading position, and when the Suez Canal re-opens Malta's situation as ship-repair station can be exploited to much greater advantage.

The organisation of the Drydocks has been streamlined at all levels. There have been changes affecting the labour force, and there have been equally important changes in the disposition and deployment of the Dockyard's productive capacity. The Drydocks has diversified its technical range of products, ventured into new fields and has acquired new skills, experience and confidence. Work flows have been rationalised, new methods and techniques of production have been introduced and new equipment and machinery obtained. The Drydocks is equipping itself for the years ahead and will be endeavouring to keep abreast of technological change in its areas of operation. The process of modernization and adaptation is necessarily continuous and will be progressively undertaken.

Wet-berthing and slipway facilities have also been extended and one of the smaller docks has been converted into a ship-building unit able to handle the building of ships up to 10,000 tons.

The Drydocks has now embarked on two major new projects. The first of these is the construction of a giant Graving Dock capable of taking vessels up to 300,000 DWT. At present the largest vessel the Drydocks can accommodate is around 100,000 DWT and only one dock can take this size. The new dock will be big enough to

take tankers of a size which have hitherto had to miss Malta and will complement the docking facilities already available. The prospect of having these larger vessels, which are already transiting the Mediterranean in increasing numbers, is good and will give rise to valuable business when the Drydocks is able to offer the required facilities. This dock, which has been designed by Chinese experts, is being constructed under the supervision of Chinese engineers and will be financed from the interest-free loan made available by the Government of the People's Republic of China.

The second major development is the new ship-building yard which will be constructed at Marsa in the south west extension of the Grand Harbour. It is envisaged that the new yard will be able to build ships of between 40,000—90,000 DWT. This further large scale investment in ship-building capacity will complement the range of services which the Drydocks, as an integrated complex, can offer, and will contribute to its further diversification and consolidation.

TOURISM

Revival and further development of the tourist industry, has been a major endeavour of the Government since 1971. The levelling off and decline in activity over the 1970-72 period, coming as it did after the largely fortuitous build-up of the middle and late Sixties, gave rise to disillusionment in the trade.

The former boom in tourism and related activities was in large measure the result of circumstances which favoured Malta in the short term but which could not have been expected to sustain an even growth of the tourist sector. The boom was characterised by heavy dependence on the British market; failure to diversify sources of origin, through sufficient promotion and other active efforts, eventually resulted in Malta being edged out of the international tourist trade.

The decline has been arrested and reversed and the remarkable and continuing recovery in 1973 and since, has reinstated Malta firmly on the tourist map.

The main targets for the Plan period are:

(a) to raise tourist arrivals from 211,000 in 1973 to 370,000 in 1979. There were 8,500 hotel beds available at the end of summer 1974; it is anticipated that another 2,000 beds will be needed by the end of the Plan;

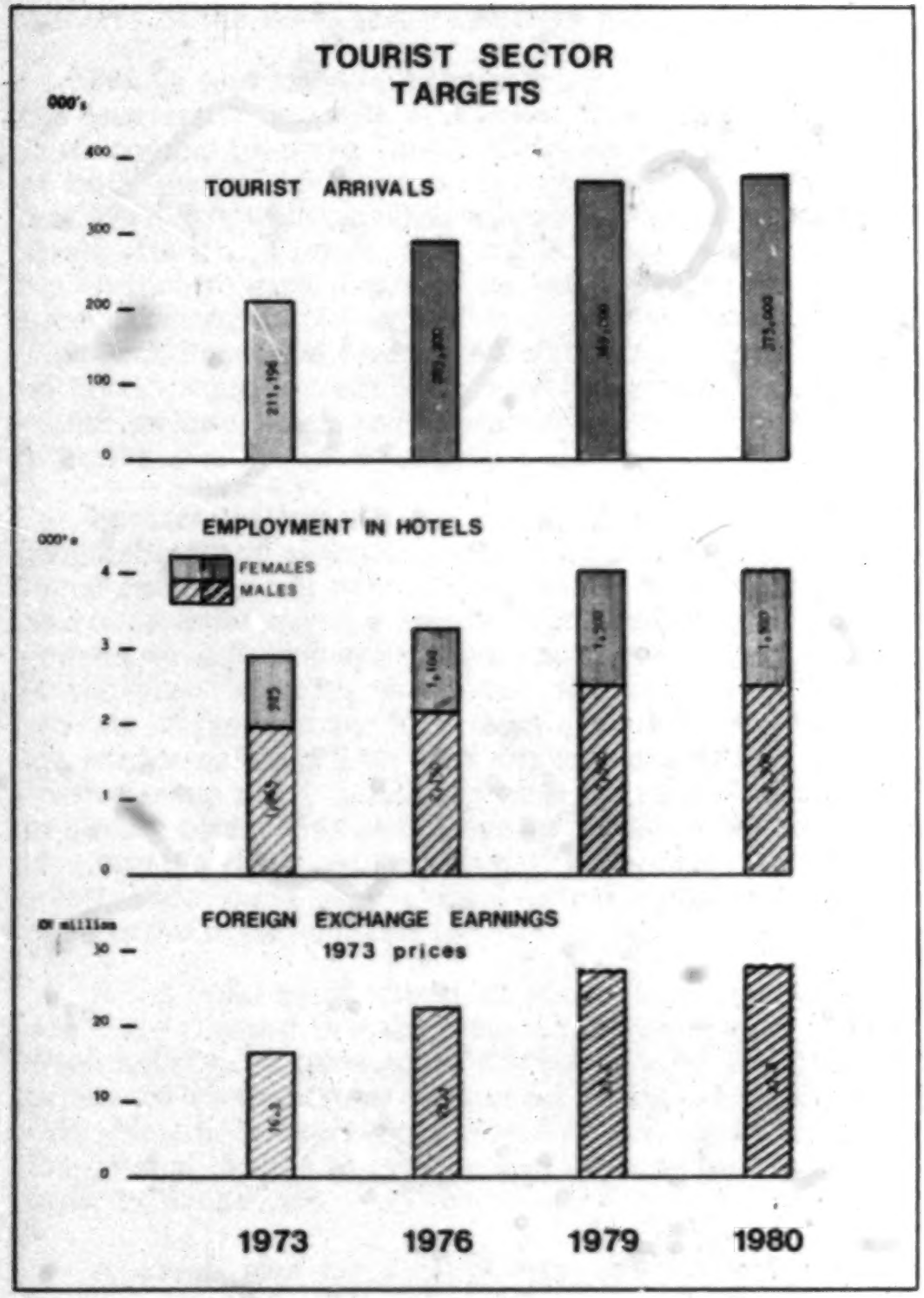
(b) to increase direct employment in hotels from 3,000 persons in 1973 to around 4,000 in 1979, through a more intensive use of existing hotels and through the jobs which will be created in new hotels;

(c) to increase foreign exchange earnings to £M27.6 million in 1979 (at 1973 prices) as against £M16.2 million in 1973.

Malta has sea, sun, a rich architectural and cultural heritage, and English is widely spoken. But in a small society such as the Maltese community, the influx of uncontrolled numbers of tourists can disrupt the traditional social fabric. There are therefore social constraints which bear directly on Malta's ability to accept tourists. Malta's size and the relatively few amenities available of the sort which can keep a tourist occupied and entertained for a long time are other limiting factors.

Malta seeks to accommodate the entire spectrum of income earners, from the wealthy to the lower middle and working groups. It will remain a matter of policy however to go as far as possible for the relatively high spender, because Malta can never hope to get by numbers the fruits of economic advantage which other resorts can get from scale. The planning of tourism plant — hotels, restaurants and other facilities — reflects this emphasis on spending potential.

The planned gradual increase in tourist arrivals should not be as disruptive as the growth experienced in the late Sixties. The Plan assumes, among other considerations,


TOURIST SECTOR
TARGETS
000's
400
300
200
100
0
TOURIST ARRIVALS
211,196
EMPLOYMENT IN HOTELS
000's
4
3
2
1
0
FEMALES
MALES
1,100
FOREIGN EXCHANGE EARNINGS
1973 prices
30
20
10
0
1973
1976
1979
1980

diversification into markets other than the British market, and a search for tourists who will make more use than hitherto of the hotel accommodation available.

British tourists still outnumber other visitors but, with the progressive increase of tourists from other countries, those coming from the United Kingdom will in future tend to be a progressively smaller proportion of the total. In fact, there are well founded expectations of increases from Arab, Italian, French and other European countries. Non-British tourists and high income tourists tend to seek hotel accommodation rather than holiday flats or villas. This is an important factor not only from the point of view of hotel occupancy but also from the employment standpoint, because hotel accommodation is more employment intensive.

Further diversification of tourist sources of origin, both geographical and economic, will be secured through promotional campaigns in new and traditional markets. This emphasis on diversification will be accompanied by an endeavour to spread out tourist arrivals more evenly in the course of the year, in order to counter the heavy emphasis on arrivals in the summer months as against leaner traffic in the winter months. Efforts to promote convention and incentive group travel during the off-season should contribute to a more balanced seasonal flow of traffic. A better spread of tourist arrivals will yield dividends since it ensures greater and more stable employment opportunities and fuller utilisation of existing facilities.

If the build-up of tourist numbers takes place as planned it is envisaged that the present total capacity of around 8,500 hotel beds (plus some 200 other hotel beds now in course of construction) will cease to be adequate after 1975. New hotel building is therefore envisaged during the Plan period in time to provide new capacity for the market from 1976 onwards.

A sound plan for tourism must provide not only for visitor accommodation but also for related amenities and the widest possible variety of tourist facilities and attrac-

tions. Existing tourist facilities for entertainment will have to be enhanced through new forms of sport, attractive open air restaurants, cafeterias and other establishments. These initiatives will be left as a rule for private enterprise to develop on the assumption that they should be able to pay their way.

Positive steps are also being taken to make it easier for the tourist to travel to Malta. Improved communications are being developed and the setting up of Air Malta is a means to that end. Administrative, legislative and other measures are also being introduced to raise the standards of quality of tourist services in the Maltese Islands.

Malta is now recognised as being an attractive holiday resort, and tourists leave the Island satisfied both with their stay and with the image they form of Malta. The Government is determined to enhance this image and exploit it in order to increase the economic returns of tourist activities through employment and foreign exchange earnings. At the same time account has to be taken of external developments which may adversely affect Malta's planned growth in tourism. The current world inflation and the downturn in general economic activity are already hitting international tourist traffic; it is therefore vital for Malta to maintain competitive prices while offering full value for money and efficient and cheerful service to visitors.

AGRICULTURE AND FISHERIES

Agriculture

Agriculture in Malta is a very old industry and, although it has been developed and adapted over the years, further adaptation and modernisation is necessary so that the best use can be made of the agricultural potential in the Maltese Islands. This process, however, must inevitably take account of the fact that large scale general farming is not possible mainly because of the small size of local holdings. Therefore, the more intensive forms of agricultural production are particularly suitable.

Basically the policy aims are:

(i) to reduce Malta's dependence on imported food and agricultural produce, and to improve the quality and variety of home grown food;

(ii) to secure greater output and improve the efficiency of agricultural and horticultural production, and to increase the rearing of livestock to satisfy as much as possible the local demand at reasonable prices to the consumer, while also allowing sufficient margins to make farming profitable. The local dairy industry will be further developed to meet fresh milk requirements so that there will be no need to resort to foreign sources of supply to meet seasonal shortages;

(iii) to develop certain lines of agricultural produce such as high value fruit and vegetables so as to secure an expanding export market during out-of-season times in the importing countries. Higher levels of certain livestock production could also enable the release for export to neighbouring Mediterranean countries of live animals and meat surplus to local requirements;

(iv) to instil in the farming community, through educational and training programmes, a greater awareness of trends in modern agricultural practice. Financial assistance will still feature prominently in the Government's plans, so that modern mechanical equipment may continue to be purchased and the setting up of glass houses and other facilities may be further developed;

(v) to supplement the efforts of local farmers by increased production on the Government farm at Ghammieri and on other Government-owned land to meet, as much as possible, the food requirements of hospitals and other Government institutions.

A number of schemes are planned to increase considerably the production of fruit and vegetables on Govern-

ment-owned agricultural sites. Various additional livestock units will also be set up and existing stock will be expanded. A function of these centres for animal production would be to carry out demonstration work so as to educate and encourage the farming community to improve the quality of livestock by better methods of husbandry. The eradication of disease in livestock and the introduction of high quality breeds will be an important object of agricultural demonstration and extension work.

To the fullest possible extent the Government will act to conserve for agriculture land which is already cultivated, or capable of being cultivated, especially where this land is irrigated or irrigable. Every endeavour will be made to arrest the drift of people from farmwork although it is anticipated that the trend will be towards fewer whole-timers and more part-timers working in the agricultural sector. Attention will also be paid to the general pattern and structure of the agricultural industry, including farm size. Acreage under cultivation has to be intensively worked to increase the yield and provide reasonable standards of living for farmers.

The Government will be directly involved in a full scale "back up" programme designed to further the ends of agricultural development in various ways. Particular attention will be given to the development of agriculture in Gozo. The programme includes the following measures:

Land reclamation and afforestation

The Government strongly feels that, given the severe limitations of size of national territory, the agricultural sector should not be further handicapped by indiscriminate wastage of available resources. There should be the fullest possible utilization of soil available throughout the Islands and the Government will actively enforce regulations governing the removal of soil, from areas affected by rural or industrial development and by other projects, to barren land with good agricultural potential where the soil can be put to good use.

Besides the introduction of legislative and administrative measures, the Government has already embarked over the last few years upon an expansive programme of land reclamation and afforestation to bring back into production arable land, which had been abandoned in the days of the building boom or was insufficiently cultivated. Various sites have already been recovered; disused quarries, vacated Services establishments, rocky areas and a number of deep ditches fencing the fortifications built by the Knights of Malta.

The large scale afforestation campaign launched by the Government will, besides providing windbreak facilities for agriculture, also go some way towards relieving the arid landscape traditionally associated with the Maltese Islands. Moreover, in view of the Government's endeavours to stimulate higher fruit production in Malta, Government-owned land has also been reclaimed for the planting of fruit trees.

The Government's programme of land reclamation, afforestation and tree planting will be intensified further during the next few years. This programme is being undertaken with the support of various friendly countries, including Libya, Italy, Austria, UK, Spain and Cyprus which have appreciated the Government's efforts and initiatives and have provided hundreds of thousands of saplings and fruit trees. Above all, however, the Government's drive is seeking to arouse public consciousness and to instil a deeper awareness of the need to enhance the local environment.

Water catchment and conservation schemes

An increase in the water supplies for irrigation, especially by the construction of more dams and reservoirs as well as by improved methods of irrigation, should lead to an increase in the total area of irrigated land. Individual farmers are being encouraged to build their own water collection tanks to meet some of the water requirements of land held under cultivation. The water situation will be

kept under close watch at all times as part of the Government's efforts to conserve and spread rain water supplies as widely as possible.

Improved facilities off-the-farm

The Government's plans include: the construction of better access roads in agricultural areas to permit the use of machinery and easier transport of produce; improved sorting, grading and packing of produce; better domestic marketing facilities, such as the construction of central markets in Malta and Gozo, and cold stores to prevent the deterioration of produce and help reduce excessive fluctuations in vegetable prices; the operation of an export cold store at Luqa Airport; reliable transport facilities especially from Gozo to Malta; and better marketing methods including Government-sponsored operations.

Civil Abattoir

The complete modernisation and extension of the Civil Abattoir at Marsa has been taken in hand as a matter of urgency. The layout and plant will be in strict accordance with the requirements of the EEC Slaughterhouse Regulations and with the regulations of the Meat Inspection Division of the USA Department of Agriculture. The new Gozo Abattoir, on the other hand, will form part of the complex already under construction which will include a central market, fish market facilities and cold storage space.

Extension Service

The Government will seek to strengthen its influence on the local farming community through the Advisory Service of the Department of Agriculture. Appropriate technical advice will be offered to farmers through demonstration work, training programmes, experimental work including field trials, and other practical methods for the introduction of new techniques. Particular attention

will be devoted to the promotion of higher quality production by the appropriate use of new seeds, pesticides, herbicides and fertilisers. At the same time, given that Malta is too small to conduct fundamental research into agricultural methods and food production techniques, international and bilateral contacts will be developed to acquire knowledge of research carried out elsewhere. In this connection use will be made wherever possible of multilateral and bilateral aid.

Co-operatives

The Government will actively support and encourage the development of agricultural co-operatives which, particularly in the initial stages, may require financial assistance and expert advice in order to be established on a sound footing. Co-operatives should play a greater part than hitherto in the drive to increase production, and besides dealing in agricultural produce — such as vegetables, fruit, wine making, tomato paste and animal feeds — joint ventures among local farmers should also be extended to include intensive animal husbandry and horticultural projects.

World Commodity Prices

The Government will keep a watchful eye over all developments, at home or overseas, which could adversely affect the agricultural sector. It will take account of the changing world supply and price situations of some basic commodities not produced in Malta and their repercussions on Maltese agriculture. The recent increase in prices of fuel, wheat and animal feedstuffs, and the unreliable delivery of fodder stocks due to shipping difficulties are indicative of the problems affecting this sector. These considerations have already led the Government to subsidise the price of fodder and to increase cold storage facilities for the keeping, over a prolonged period, of perishable foodstuffs. The Government will take whatever additional measures may be necessary, in the light of circumstances which occur during the Plan period to support the agricultural sector.

Fisheries

The fact that fish landings in Malta are still at low levels, especially during the winter months, can be attributed in part to the small scale traditional fishing methods adopted by the Maltese fishing industry. This has resulted in failure to meet the requirements of the local market which has expanded considerably during the last few years especially in view of the rising demand for quality sea food by the growing tourist market. The local catch must be raised appreciably to satisfy the local demand for fish and fish-products.

There are many obstacles which hamper the development of the local fishing industry and the Government will seek over the Plan period to remove them and to provide more inducements for fishermen to expand their operations. There are as yet insufficient cold storage facilities to enable landings during the flush season of the year to be stored for release during the lean season. The Government plans to provide cold storage facilities for fishermen. This should help to spread a higher catch more evenly between the seasons and to eliminate seasonal scarcities, besides lessening dependence on imported fish during those periods of the year when fishermen are relatively inactive.

Fishermen will also be encouraged to extend their operational range at sea by the construction of larger vessels with labour saving mechanical aids and other modern equipment for fish detection and radio communication. These measures, along with the steps being taken to provide fishermen with supplies of ice to preserve their catches while at sea, should ensure greater efficiency and increase the commercial catch.

It is important to have fishermen accommodated at or near the main fishing centres and the Government will accordingly take steps to improve the situation by providing additional housing and storage facilities close to their main operational bases. Moreover, Maltese fishermen have over the years been forced to gather in the few suitably

sheltered creeks. The fishing fleet requires adequate anchorage and berthing facilities and a programme of improvements is scheduled to be carried out in a number of harbours in Malta and Gozo with inadequate amenities for the fishing community.

OIL EXPLORATION

Oil exploration started in Malta in 1955 when BP undertook preliminary geological work and three shallow wells were sunk in different areas of the Island. The search was eventually abandoned in 1958 when a deep test carried out near Naxxar was stopped at just short of 10,000 feet; no significant traces of hydrocarbons were discovered. The survey however contributed very little useful knowledge on which to assess future prospects of commercial oil exploration in the Maltese Islands.

Offshore exploration covering Malta's continental shelf got under way in the spring of 1971 when three separate companies or consortia were awarded exclusive rights over certain offshore parcels to the north and south east which were thought to offer good exploration prospects on the basis of regional geology. The exploration work programme began with geophysical and aeromagnetic surveys and various systems and techniques were employed to locate targets for drilling. The various test holes which were drilled also failed to encounter commercial hydrocarbons, although the experience which was acquired has proved helpful in drawing conclusions regarding the prospects of discovery of oil and gas in the area.

Although this initial exploratory phase did not produce results, substantial advantages nevertheless accrued to the local economy. The direct Government take on rentals, seismic sales, wharfage rents, tax and other services is reckoned to have brought in £M0.7 million while expenditure on local supplies and services amounted to some £M0.6 million. Direct employment created by the companies ran at a rough average of fifty in respect of each

drilling operation during the period. This figure of course excluded casual labour employed by contractors and on spin-off jobs created by the industry.

In 1972 the Government considered it opportune to initiate the technical processes essential to the opening up of other offshore areas which had not yet been put up for exploration. It was felt that it would be wrong to adopt the system of the previous Administration, of issuing a call for applications without sufficient geophysical knowledge of the areas in question. In July 1972, therefore, the Government contracted the Western Geophysical Company of America to carry out a seismic survey over the shallow Medina Bank and other waters to the south of Malta. On the basis of the survey, the area was parcelled out into sixteen blocks and put out to tender in early May 1973, with the Government reserving the right to retain some of the blocks for later exploration and development.

The tenders received from a number of oil companies were considered by the Government, with the advice and assistance of consultants with relevant experience in this highly technical field. In May 1974 an award for drilling rights was made to Texaco International Petroleum Company.

The agreement reached with Texaco is regulated by terms and conditions which include the following:

(1) on the granting of the licence the Company paid the Maltese Government a sum of 10 million dollars (about £M4 million) as licence premium;

(2) the Company will be paying in respect of its leased blocks, an annual rental of £M14,950;

(3) Texaco will spend, within six months of the date of award of the licence, a sum of not less than one million dollars in feasibility studies designed to establish which engineering products are best suited for the establishment of production facilities in Malta. Following this initial feasibility operation Texaco have bound themselves to spend another two million

dollars, in two and a half years, in the setting up of an industry considered suitable for the country. If, after these three years, Texaco have not ceded their licence, they have further bound themselves to invest in this industry another 6 million dollars. The Government has retained for itself the option, if the industry in question requires an investment input of more than 9 million dollars, to invest its own money in the industry up to a limit of 9 million dollars. The Government's share in the industry in these circumstances would be in proportion to the respective subscriptions of capital of the two parties;

(4) should oil be found in Malta the Company will pay the Maltese Government production bonuses (once only) rising according to production. When production reaches 50,000 barrels a day the bonus will be 1.5 million dollars; 100,000 barrels a day — 2 million dollars; 150,000 barrels a day — 2.5 million dollars and 200,000 barrels a day — 3 million dollars. This means that Malta will have received as much as 9 million dollars if production ever reaches 200,000 barrels a day;

(5) Texaco have bound themselves to give the Maltese Government a share in the Company if and when oil is found. The people of Malta, through their Government will have the right to acquire 5 per cent of the shares of the Company when oil production begins. This percentage will go up to 15 per cent when production reaches 50,000 barrels a day, 30 per cent when it is 100,000 barrels a day, and half the Company when production reaches 200,000 barrels a day;

(6) Thus if oil is not found all expenses are payable by Texaco. On the other hand: if and when oil is found the Company will pay the Government half its profit by way of tax. There will also be a royalty of 12½ per cent on a basis of posted price.

The Texaco contract, on which future concessions will also be modelled, introduces an interesting new concept in "oil-related" industrial development, and this

gives it greater significance than it would otherwise have if the returns expected from oil exploration were related solely to licence premia, royalties and profits deriving from participation in the ownership of the concessionary company. The financial returns in this respect are handsome enough, but the industrial "pay-off" could be even more significant. The involvement in feasibility studies is especially important, and the commitment to invest such substantial sums in industry, along with the Government, which will be funding its industrial investment from the proceeds of the oil licences, will stimulate the industrial development of the country. The Texaco licence alone presents great potential for growth; and the fact that it will almost certainly be followed by others of a similar nature, gives ground for satisfaction and hope.

The Government is already giving its attention to the exploration of other areas of potential interest and it is expected that seismic surveys will be carried out in these areas during the next few years. The outcome of these surveys and the scientific knowledge acquired will determine whether the Government will consider the opening up of these areas for bids for exploration rights.

The Plan takes no specific account of what will be needed in the event of oil being struck in commercial quantities. Normal patterns indicate that following the discovery of a good flow of oil in an exploration well, a period of about two years is required for drilling up and evaluation of the field, and a further period of some three years normally elapses before production facilities are complete. During such a period the Government will have ample opportunity to prepare its plans.

The economic benefits accruing and flowing from discovery could of course be immense, in terms of manpower requirements, foreign exchange earning, linked industrial development and the like, and Malta's whole financial future would be radically affected by the prospect of substantial additional income from a steady source. This does not, of course, mean that Malta would, even in that event, be able to relax her efforts in other directions to achieve an independent, economically viable, state.

Chapter VI

DEVELOPMENT INSTITUTIONS

MALTA DEVELOPMENT CORPORATION

The Malta Development Corporation (MDC) was set up in terms of Act XXVII of 1967 as an institution concerning itself in a variety of ways with the promotion of industrial development in Malta. The main functions of the Corporation were broadly: (a) to seek out new industries suitable for Malta; (b) to promote the participation of Maltese and foreign private capital in industry; (c) to provide technical, marketing and managerial assistance; and (d) to implement the programme of Aids to Industries on behalf of the Government.

The agency role was meant to be incidental to the Corporation's primary role of nursing industry, on the one hand, and actively seeking out and generating new activities on the other. In fact the Corporation concentrated after its formation almost entirely on the agency role, administering Government aids. The Labour Government has changed the role of the Corporation; the accent is now on the primary, active, role of attracting new industries and extending the scope of Government participation in the build-up of the industrial sector.

The MDC is now the Government's main institution for the promotion of industry in general, and for the promotion of Government-sponsored activities within the field of industry in particular. In its broader promotional role the Corporation will be concerned with the identification of industrial activities suitable for Malta. It will be seeking to encourage private initiatives wherever possible, and will also endeavour to induce collaboration between Maltese and foreign entrepreneurs in situations where this collaboration will be to the mutual advantage of the partners as well as of the nation.

The Corporation's job is not just to bring opportunities to the notice of entrepreneurs, and to bring interested parties together: it will also be concerned with the steering of projects during the negotiation and pre-formation stages, to help out in whatever difficulties may be encountered so as to ensure that desirable prospects are eventually brought to life.

In so far as public investment in industry goes, the MDC has at its disposal public funds, appropriated for the purpose and available, broadly, for three types of operations:

(a) rescue operations where, as in many recent instances, the Government may have to step in to resuscitate worthwhile industries which have come to grief under private ownership and management;

(b) direct investment activities where it is felt that vital services have to be established which, in the public interest, should be State-owned; as well as,

(c) investments on sole or joint venture account, with or without the participation of expatriate capital, in desirable industries where it is evident that, whether for lack of sufficient interest, enterprise, means or whatever reason, private enterprise is not prepared to take the plunge, alone or at all.

Where Government investments in industry are concerned the Corporation will be acting in a variety of other ways. For instance: where Government money is put into existing and new industries it will in most instances be acting as nominee shareholder for the Government and exercising all the duties and responsibilities which go with such a role. Where such industries, in which the Government has an interest, need managerial and other support the Government will put the resources of the Corporation at the disposal of these industries until such time as such direct support is no longer necessary.

But apart from this the Corporation will be entrusted generally by the Government with whatever other tasks may be deemed relevant to the Corporation's duty to

steer the development of the industrial sector. It will be concerned with monitoring performance in the sector, identifying problems as they arise and contributing within the limits of its resources to the solution of such problems, and generally doing whatever is necessary to develop and maintain the impetus of industrial growth.

The Corporation will also be providing a technical assistance, advisory, service through which industries, which are predominantly Maltese-owned, can acquire or have access to modern managerial and control techniques. The Corporation will help in the solution of marketing problems as well as in ensuring an adequate supply of raw materials when these may be difficult to procure. The Corporation will continue to be the agency advising the Government on the eligibility of firms applying for benefits under the new "Inducements to Industries" regime.

It will also act as agent, so long as the Government deems necessary, in such matters as the procurement and distribution of essential commodities obtained in bulk from abroad. At all times the Corporation will be a dynamic instrument through which Government influence and intervention will be brought to bear as required in both the industrial and trade sectors.

INVESTMENT FINANCE BANK

It has been indicated earlier that the total investment to back up Plan objectives is expected to be something of the order of £M213 million: of which around £M94 million would be required to cover Government expenditure, with the rest going to sustain investment by the private sector.

As far as Government finance is concerned a strong initial base has already been established by virtue of the Defence Agreement with Britain, as well as through the various soft loan and other arrangements entered into with other foreign governments and institutions. The adequacy of these resources will depend on changes in the real value of money in the years ahead. Should any financial gap develop there is every reason to hope that the money will be

found, on appropriate terms, from one or other of several sources with which the Government is now in negotiation.

For the private sector, it is expected that domestic savings will, in the aggregate, not fall far short of investment requirements. Should there be any shortfall it is envisaged that the gap will, in any event, be met by direct investment capital from abroad along with, if necessary, a measure of repatriation of Maltese savings held abroad. As far as the aggregates of the equation go, therefore, supply should meet demand. The question, basically, is one of ensuring that otherwise uncommitted private savings are made available for investment and directed to productive use at home.

Private investment will tend to be financed through three different streams: domestic entrepreneurial or foreign capital; corporate savings, which will grow increasingly as the industrial base expands; and finance provided through banking intermediaries.

The greater part of investment finance is likely to be provided through financial intermediaries. Hitherto these intermediaries in Malta have been largely the commercial banks which have provided loan monies for investment as well as for working capital and export finance. Thus investment needs, even long term, have tended to be obtained from commercial banks, even though these banks have operated on the basis of comparatively short term deposit liabilities.

So far as working capital is concerned it is perfectly proper for a commercial bank to provide finance on a short to medium basis, that is, up to three years. This may not meet all situations but would be adequate for most purposes. Where the financing of capital formation, as well as in some cases stocks, and certain export credits is concerned, it is expected that credit facilities will be required on a longer term basis than commercial banks can provide without coming up against the constraints prescribed by the banking authorities, or conventional practices.

To provide for this, the banking system will be restructured so that commercial banks shall confine themselves

largely to short to medium advances, mainly for working capital purposes, which is the proper sphere of activity of commercial banks. Activities, which require investment finance for terms beyond what the commercial banks can provide will have access to a new financial institution, an Investment Finance Bank, which will be set up under the Plan and which will have a major role to play in the coming years, in sustaining and accelerating the pace of industrial growth.

The Bank will provide loan finance on a medium to long term basis (i.e. 3 years and beyond) and may enter into direct equity investment in industrial enterprises. In addition to the capital subscriptions of the various participants it may raise funds for lending to the private sector by floating marketable paper, thus contributing further towards the setting up of a capital market. The Malta Development Corporation may also consider on-lending, through the Bank, on appropriate terms, such part of soft loan finance at its disposal as may be needed to sustain the growth of industry.

From time to time the new institution may invest directly in productive activities by taking up equity. These investments may be necessary to ensure that a desirable prospect is not lost through lack of sufficient equity support; and the Bank's participation could itself sometimes be a factor generating public confidence in the industries in which the Bank participates. The Bank may, at this stage, render a particularly useful service in the line of project evaluation, and indeed of project generation.

PART IV

PUBLIC ENTERPRISES AND INFRASTRUCTURE

CHAPTER VII

PUBLIC SECTOR

COMMERCIAL SERVICES

It is the Government's intention to ensure that all State-run productive enterprises are run on an efficient and commercially profitable basis unless there is a compelling social reason why they should be subsidised. Some of these enterprises have, in the past, been, a drain on the Public Exchequer and an unjustifiable subsidy to the private sector. They have been carried by the tax payer when they should have been covering their costs and, in addition, generating sufficient savings from their operations to finance their own expansion and modernization programmes.

The Government has undertaken an examination of the activities of existing public sector enterprises in Malta to assess: (i) whether these enterprises are pursuing the objectives required of them with the utmost effectiveness in the use of manpower, financial and other resources; (ii) whether the activities of these different enterprises are sufficiently coordinated to meet the requirements of public policy and the national economy of Malta; and (iii) the degree to which such public sector enterprises could be made more self-supporting within the constraints of public policy. Reforms are being undertaken in the light of the results of this exercise.

It is recognised that, before 1971, there was insufficiently close liaison between the State enterprises and the Central Government Administration. The policy now is to see that every enterprise operates within the policy framework laid down by the Government; that there is a continuous and close dialogue beween the two sides, leading to a two-way flow of information which is essential if the enter-

prise is to gear itself to policy, and if policy is to be rationally devised with full knowledge of the relevant factors or constraints operating within the enterprise.

It is also clear that the possibility of reaping administrative economies through the introduction of "common" services where possible has not yet been sufficiently explored or exploited. There is in fact an element of this sort of common service in operation as far as water and electricity billing is concerned, and a study is in progress to determine whether this sort of collaboration can be extended to other concerns, and in other areas such as repair and maintenance of vehicles, plant and equipment, transport services, district organisation, central administrative functions, common wage structures and conditions of work, and so on.

The Government is considering the introduction of such common services as a first step to what might eventually develop into a full integration of the several Utilities into a single Organisation. The Organisation would have separate divisions for each technical speciality, but would otherwise function as a single, common Organisation with unitary administrative and other services controlled centrally.

Malta Electricity Board

Generation

Electricity supply is a vital element of infrastructure and the availability of adequate electric power to cope with demand as it develops is an essential Plan prerequisite. During the past decade the demand for electricity supply increased at an average annual rate of 15 per cent. There was a transitory slowing down in the growth rate in 1971/72 and 1972/73 but demand picked up again rapidly and during the first six months of 1973 was averaging some 9.5 per cent above the corresponding figures for 1972.

Given the envisaged rapid acceleration in economic activities, it was considered, prior to the eruption of the oil crisis, that the normal annual growth in electricity

demand could reasonably be put at 8 per cent for most of the Plan years, levelling off at around 6 per cent towards the end. Having regard to the policy of optimising the output of existing factories by operating on shift cycles, whenever product demand warrants, the demand for electricity had to be weighted by estimated industrial loads which would continue to prevail during the evening peak hours. Bulk loads, that is supplies to Deutsche Welle, Luqa Airport, British Services establishments and the new big Drydock had also been added on to the growth estimates. The anticipated load demands on the system for the period 1973/80 were therefore as set out in Table VII 1.

Table VII 1

ANTICIPATED ELECTRICITY DEMAND

(Pre Oil Crisis)

Megawatts

Year	Basic Load	Industrial Load	Normal Growth	Bulk Load*	Total Load
1973/74	—	—	—	—	77.2
1974/75	83.4	1	8%	3.5	87.9
1975/76	91.1	2	8%	3.5	96.6
1976/77	100.6	2	8%	3.5	106.1
1977/78	110.8	2	8%	6.5	119.3
1978/79	121.8	2	8%	6.5	130.3
1979/80	131.2	—	6%	11.5	142.7

* Takes into account the supply of 3.5MW to Deutsche Welle Radio Station as from 1974/75; another 3MW to Luqa Airport and British Services Establishments as from 1977/78, and 5MW to the new Dock in 1979/80.

The extraordinary situation which developed late in 1973 as a result of the world energy crisis, coupled with the spiralling costs of raw materials and other essential commodities, has of course necessitated a total reappraisal of growth prospects and likely demand load.

The experience of the past few months suggests a substantial drop in domestic demand in view of the much higher tariff charges. It is not yet sufficiently clear, how-

ever, how the commercial and industrial users will perform. The likelihood is that after the initial reaction to the tariff changes, the demand of these users will prove inelasic. Assuming therefore (i) that the rise in oil prices is here to stay; (ii) that there will be, in due course, a resumed though somewhat restrained upward trend in domestic demand; and (iii) that the growth of the productive sector proceeds as planned; a resumption in growth of electricity demand is anticipated. Obviously there are a large number of imponderables in the situation, but a growth path on the following lines would not seem unrealistic:

Table VII 2

REVISED PROJECTIONS FOR ELECTRICITY DEMAND

Megawatts

Year	Total Load
1974/75	54
1975/76	59
1976/77	70
1977/78	80
1978/79	95
1979/80	110
1980/81	120
1981/82	132

The total generating capacity of the two power stations operated by the Malta Electricity Board is 115.7 Megawatts made up as shown in Table VII 3. The "firm" capacity of both stations is 85.7 MW. This condition assumes that one of the largest units is out of service for maintenance and repairs.

Table VII 3

ELECTRICITY GENERATION CAPACITY

Plant	No. of Units	Installed	Capacity MW	Total MW
'A' POWER STATION				
Steam Turbo Alternator	3	1953	5.0	15.0
Steam Turbo Alternator	2	1960	5.0	10.0
Gas Turbine Alternator	1	1965	5.7	5.7
INSTALLED CAPACITY				30.7
'B' POWER STATION				
Steam Turbo Alternator	2	1966	12.5	25.0
Steam Turbo Alternator	2	1970	30.0	60.0
INSTALLED CAPACITY				85.0
TOTAL INSTALLED CAPACITY IN 'A' & 'B' STATIONS				115.7

It is the general practice with electricity supply authorities that the installed generating plant capacity should be greater than maximum demand for the supply, by a margin of not less than the capacity of the largest machine connected to the system. This ensures that no power supply restrictions will occur in the event of one of the largest sets breaking down for any reason. This condition will no longer prevail at the MEB Power Stations after 1977/78 until such time as additional generating plant is commissioned.

In this state of affairs none of the plant units could be taken out of service, for any length of time, if the anticipated full system demand is to be met. The situation is further complicated by the fact that at this time the three 5 MW Westinghouse sets which were installed in 1953 would be almost twenty five years old. These sets, though in a good state of maintenance, show evidence of wear and tear and the procurement of replacement parts is becoming difficult and costly. Their reliability in the late Seventies would be very much in question.

Extension of 'B' Power Station

The likelihood therefore is that additional generating plant will be required in service before the winter of 1978/79, with the possibility of one year beyond it at the very latest. Station 'B' can take two additional turbo alternators of 40 MW capacity each. With the rapid acceleration of the anticipated load it would appear to be advantageous for the MEB to procure both sets at the same time, rather than plan for one 40 MW set for 1978/79 and a further 40 MW set for a couple of years later. The Plan accordingly contemplates provision of two 40 MW turbo alternator sets, two 400,000 lbs per hour boilers, electric plant and ancillary works.

Reconditioning of 'A' Station

The foregoing presupposes that 'A' Station will remain fully operational until the early Eighties. Some of the turbo alternators and boilers, which have been in service for twenty years, will require general reconditioning if they are to render dependable service for another decade. The same applies to auxiliary plant which was installed during the initial years of the Station. Difficulties may be experienced in obtaining replacement parts, some of which are obsolete and out of production.

Transmission and Distribution

Concurrently with the expansion of the generating plant, the transmission and distribution facilities will need to be reinforced and extended to cater for higher levels of power generation. The existing primary transmission system comprises a 33 KV ring circuit supplying Msierah and Mosta Distribution Centres, and duplicate 33 KV feeders to Tarxien Distribution Centre.

The function of this system is to convey power in bulk from the Power Stations to the main load centres strategically placed within the distribution areas. Power is then transferred at 11 KV and distributed by various

regional circuits to the substations. Load predictions on the primary centres of supply and new bulk loads over the period of the Plan have been worked out taking into account future residential commercial and industrial load increases and their expected regional distribution .

In order that any new works necessary to meet the requirements of the Plan will be compatible with future system development, a general scheme for the 33 KV network has been drawn up, incorporating all the anticipated circuit reinforcement, new load centres and interconnection facilities. The existing circuits as well as any new feeders will eventually form part of an integrated system without loss or redundancy.

The 11 KV distribution system consists of a number of integrated ring circuits emanating from the Power Stations or the distribution centres. Each circuit supplies a series of substations from which the consumers are served. In areas of lesser importance, or where long distances are involved but demand is low, spur feeders are used to economise on cost of installation.

The majority of the 11 KV network is supplied from the 33/11 KV distribution centres at Mosta, Msierah and Tarxien, but a few circuits are connected directly to the Power Stations. In planning the expansion of the 11 KV distribution system particular attention has been given to the power requirements for the development of industrial zones. The Bulebel Industrial Estate is fully serviced and adequate power supply is available from Tarxien Distribution Centre to meet present and anticipated demand.

A new industrial estate is being established on Kordin Heights, and the requirements of the new ship-yard at Marsa will also have to be met. To economise on cable installation, and provide a reasonable degree of security of supply, a scheme has been designed whereby the existing substation at Malta Drydocks, the new substations at the Kordin Industrial Estate and the New Dock area, as well as the substation which will serve the new Marsa ship-yard, will be integrated in a circuit which will be supplied by four

11 KV feeders directly from the Power Station. Two of the feeders are in service supplying Malta Drydocks, the third is in the process of being laid and the fourth is projected. When the scheme is completed the circuit will have a total capacity of 28 MVA.

Benghajsa area is also earmarked for industrial complexes requiring direct shore access facilities and hinterland space. The provision of bulk power supplies to this area will entail the erection of 33 KV overhead feeders directly from the Power Station and the construction of a local 33/11 KV distribution centre. The possibility of heavy power requirements in this region has been taken into account in planning the expansion of the 33 KV system, and the erection of multiple 33 KV circuits from Tarxien and Marsa to Benghajsa is contemplated.

The Luqa Airport complex is at present supplied from the British Services' generating station. The continued operation of the Services' Power Station after the closure of the British Base will not be economical, since energy at a lower cost will be available from MEB sources. It is therefore proposed to lay two 11 KV feeder cables from Luqa Distribution Centre to the main Airport substation.

The islands of Comino and Gozo are served with electricity supply from Malta by means of two submarine cables. The economic prosperity which Gozo is expected to enjoy as a result of general development, and of agricultural and tourist development in particular, is likely to increase the demand for power. Anticipated requirements should however continue to be met by the existing cables, and all necessary steps will be taken to ensure that the supply to Gozo remains secure and adequate.

Gas Board

The Gas Board is currently providing two types of service: Town Gas generated and conveyed to the various consumers through underground mains, and the sale of Liquid Propane Gas (LPG) in cylinder form to the various households and heavy consumers.

The Town Gas operation has proved to be an uneconomic proposition, largely because the Board, in anticipation of an expansion of demand for this type of gas, which did not materialise, built up its productive capacity to an unwarranted extent. In fact Town Gas supply capacity is about four times Malta's actual requirements. The heavy burden of fixed costs, on top of the variable costs of producing Town Gas, resulted in mounting losses on this service during recent years. However, before the fuel crisis, the Board had been able to make good profits on its LPG operations and the loss on Town Gas had thus been offset by the profits on Bottled Gas, leaving the Board in substantial surplus.

An assessment was made in 1973 of the economics of Town Gas, given the installed plant and equipment, the existing network of mains to households and other users and the present number of consumers. It was estimated that the operating loss could be made good only if a large scale increase in the number of present consumers was obtained. Against the benefits of a wider spread of overheads, however, one would also have to take into account the costs of conveying the gas to the new consumers, especially the cost of main-laying. The conclusion was therefore that Town Gas could, at best, never hope to be a profitable operation, and would require a very large expansion just to break even. Bottled Gas on the other hand returned a profit with much less capital.

A decision was accordingly taken to phase out Town Gas and consumers were advised accordingly. The fourfold increase in the price of oil has further accentuated the unprofitability of Town Gas as compared with Liquid Gas. The Government has accordingly introduced incentives in order to discontinue this service as early as possible with the minimum of discomfort to consumers.

Telecommunications

The internal and external telecommunications systems available in Malta in 1971 were most inadequate. The extension of the internal system proposed at the time

needed a re-working of area demand projections and a complete rethinking to take fuller consideration of all technical options. External communications at the disposal of the Government consisted of only 27 channels on the NATO cable to Pozzallo, and a limited radio-telephone service with London set up by Cable and Wireless (Malta) Ltd. The public service, both on the Pozzallo cable and on the radio link, was operated by and through Cable and Wireless (Malta) Ltd. It was inadequate to meet demand. Moreover, security and economic reasons required the early introduction of State ownership and control in this field.

Emergency measures were accordingly taken: firstly, an agreement was reached with the British Government which gave the Government of Malta ownership of the NATO cable; secondly, a Government Telecommunications Centre was set up equipped to handle telegram, telex and limited radio-telephone services required for official purposes.

Internal Telecommunications

At the moment installed exchange capacity amounts to around 33,500 lines. The present exchange network consists of: three main exchanges (Central, Sliema and B'Kara) which together provide 26,000 lines; four minor satellite exchanges (St Paul's, Rabat, B'Bugia and Gozo) which together with two mobile exchanges provide another 4,500 lines; and some 3,000 lines which are available on reactivated old manual exchange equipment.

The present number of connected subscribers totals 27,000 and there are over 14,000 waiting applicants. The apparent paradox of having 14,000 waiting applicants when there around 6,500 spare lines on the various exchanges is due to the fact that unsatisfied demand exists in areas where the limiting factor is cable capacity, which cannot take more than the connections already installed.

The Government is therefore laying additional cables in the areas requiring the lines, thus providing early alleviation of demand while also paving the way for an exten-

sion of the national grid in the heavy demand area. But a measure of unsatisfied demand will inevitably remain until the system expansion duly takes place.

The plan for the development of internal telecommunications takes into consideration both the need to make maximum use of existing exchange capacity as well as the need to build up the exchange capacity sufficiently to meet forecast demand. In order to avoid an unbalanced build-up of capacity, however, it is important that the cable network should be developed and extended concurrently to enable the exchange capacity available at any time to be usable to the fullest extent possible.

Demand is being forecast to increase at the rate of 5 per cent per annum during the remaining years of the Plan. Total demand now is around 41,000 lines (working exchange lines and waiting applicants) and a 5 per cent per annum increase means an anticipated total demand for around 53,000 exchange lines by 1979. This will be met by additional exchange and cable network capacity which will be installed gradually over the Plan period.

A lot of thought has been given during the past two years to working out an appropriate long term programme for the development of Malta's internal telecommunications system. Technological advancement in this field is continuous, and selection of the equipment most suited to Malta's requirements demands a thorough knowledge of the alternatives and a grasp of the benefits obtainable and costs entailed in each case.

In the light of advice and technical assistance obtained from friendly foreign sources, the Government has thought it appropriate to test the market by way of an exploratory international call for quotations. Interested parties have accordingly been requested to take note of Malta's requirements, which have been detailed in the specifications, and to propose a system which would meet those requirements. Various quotations have been received and the final blue-print and long term programme will be decided upon in due course. The intention is to pro-

vide a system capable of taking 31,000 additional exchange lines on initial installation.

It is envisaged that the internal telephone network will, over the next few years, be made suitable for international subscriber dialling.

External Telecommunications

The 1972 Agreement with the UK Government on the British Military Base in Malta has given the Malta Government full ownership of that part of the submarine cable between Malta and Italy formerly owned by NATO and operated exclusively by Cable and Wireless (Malta) Ltd. The Government has worked out plans for the fullest utilisation of this facility.

The acquisition of the NATO cable, with the enhanced communications capacity it provides, has given the Government the time needed to re-think its external telecommunications policy. The very friendly relations now established between Malta and Italy have resulted in a grant by the latter for the establishment of a radio microwave link with Sicily. The link with Sicily scheduled to be operative by mid 1976 will give access facilities by transit arrangements virtually to the rest of the world. It will start with an initial capacity of 60 circuits and can be increased to 960 circuits in step with the demand in external telecommunication traffic.

The Italian Government will also be providing the necessary technical and material assistance, including some equipment, to enable telex links with the European mainland, and beyond, to be extended. This scheme provides initially for the installation of two telex switchboards, each capable of taking 30 subscribers, and will provide the basis on which an enlarged telex switching centre will eventually be developed.

Tele Malta

An integrated national, internal and external, telecommunications service is being established by the Govern-

ment which will operate the system on para-statal lines as a commercial enterprise. Tele Malta will be responsible for running the full range of telephone, telex, radio telephone and cable services hitherto provided separately by the Telephones Department and the Government Telecommunications Centre, on the one hand, and Cable and Wireless (Malta) Ltd. on the other.

Transport

Air Malta

One of the major policy objectives of the present Government was to set up a national airline, owned and controlled by the Government, Maltese shareholders and other associates, so that Malta's air transport should no longer be dependent on the operational convenience and interests of foreign owned companies.

Malta did not have sufficient technical knowledge to set up and run an international airline on its own; consideration was therefore given to a number of proposals made by other airline companies which were asked to state their terms for joining the Malta Government as shareholders in the proposed new venture. The offer made by Pakistan International Airlines proved to be the most attractive.

Air Malta was formed in March 1973 on a shareholding arrangement which allocated 51 per cent of the share capital of the Company (£M750,000) to the Malta Government. Pakistan International Airlines took 20 per cent*, the remaining 29 per cent have been reserved for other Maltese participants. The former "Malta Airlines" (now MAL Travel) have expressed their wish to take 5 per cent, and other air transport interests have agreed to take up one per cent; the remaining shares are being temporarily acquired by the Malta Government for disposal to the Maltese public at a later stage. The formation of Air Malta followed an agreement with Pakistan International Airlines which undertook,

* The PIA shares may be acquired by the Malta Government after March 1979 at the prevailing net asset value.

besides participating in the capital of the Company, to provide management, maintenance, back up services and training facilities, and to lease aircraft for a period of five years.

The lack of any knowledge of airline management, operations and organisation has made Malta heavily dependent on expatriate advice in aircraft engineering and maintenance, personnel training, marketing and other basic services. Nevertheless there is already a gradual build-up of Maltese staff; as more qualified Maltese citizens become available to take over and assume responsibility, the corresponding expatriate element will be phased out.

For the year between April 1973 and March 1974 Air Malta undertook limited operations and had its services provided by British Airways on a contract basis. This was necessary in view of the need to give the airline an opportunity to set up house, draw up its long-term plans and get itself ready to run its own flight operations. As from 1st April 1974 Air Malta started its own services with its own aircraft providing twenty three scheduled weekly flights to five countries, besides operating charter flights. The range of its services will be extended in due course.

The capital requirements of Air Malta, and the Government's investment in the airline in the years to come, will hinge on the long term plans of the airline as well as short and long term cash flow considerations. At this stage Air Malta will continue to operate leased aircraft. Should alternative arrangements for purchase or lease/purchase be considered appropriate, provision may need to be made for additional share or loan capital.

Sea Malta

Along with the formation of a national airline, a major objective of the present Government has been the setting up of a national shipping line, owned by and operated under the control of the Government. The shipping line is needed to operate regular services to and from Malta, not merely to serve the interests of Malta's gradually expanding industries and to facilitate exportation of locally manufactured

products, but also to make a direct contribution to the growth of the national economy.

These objectives could not be achieved overnight, nor without the advice and collaboration of foreign experts. Sea Malta was formed in November 1973 with an authorised capital of £M1 million. The Malta Development Corporation holds 51 per cent of the equity; the Libyan Government, through its wholly-owned company General Maritime Transport Organisation, has taken up 25 per cent of Sea Malta's shareholding. To secure its valuable goodwill and knowhow, Cross Continent Shipholdings Ltd. was allocated a 7 per cent shareholding. These shares will in due course be acquired by the Government in terms of the Agreement negotiated with Cross Continent Shipholdings Ltd. The remaining 17 per cent of the equity has not yet been allocated. The Government has secured the services of a French shipping expert, through the United Nations Development Programme, to help develop the shipping line.

Sea Malta is today running a regular service between Antwerp, Felixstowe, Rotterdam, Malta, Tunis, and vice versa. It is providing regular sea connections over the route Malta-Livorno-Marseilles-Tunis to carry Maltese imports and exports in break bulk and containers. Where the Company is not operating a direct service, it is making every endeavour to provide fast sea connections to every destination with transhipment at vantage shipping points such as Marseilles, Antwerp and Felixstowe, thus offering Maltese exporters the opportunity to tap new markets.

As the volume of cargo increases, the Company's shipping network will be extended to cover other major ports. Initially it has been found advisable to charter small vessels. The Company is in the meantime also acquiring its own ships, and two recently built vessels have been purchased, each of about 4,500 DWT and costing a total of approximately £M2 million. The first ship was delivered in October 1974 and the second, a sister ship, will be delivered about April/May 1975. Furthermore, three small ships have been purchased and 250 containers have been ordered for delivery in November 1974.

Discussions have started with Malta Drydocks, to consider the possibility of building for the Company new ships of new design to meet the country's future trading requirements. If negotiations are successfully concluded, Sea Malta will place these orders early in 1975. Efforts are also being made to purchase a RORO vessel to operate the Malta-Libya-Italy route.

For the first time, the local business community and foreign shipping and commercial enterprises are being provided with a comprehensive service in the central Mediterranean, covering ship management, vessels' agencies, shipbroking and chartering, sale and purchase, crew manning, stevedoring, shipping and forwarding and container hire facilities. Recently Sea Malta has reached agreement with the General Maritime Transport Organisation of the Arab Republic of Libya to see to the management of two new RORO vessels. The setting up of Sea Malta represents another milestone in the economic development of independent Malta.

Milk Marketing Undertaking

The main functions of the Milk Marketing Undertaking are: to make the local milk supply safe from brucellosis; to provide adequate supplies of fresh milk to meet demand; and to give support to the dairy industry.

As ruling milk prices do not cover costs of production, the Undertaking has hitherto had to rely heavily on annual subsidies by the Government. The Milk Marketing Undertaking will during the Plan period continue to provide the local milk requirements, and it will seek to make the overall operations of the enterprise more economically efficient. This will require modernization and replacement of plant and equipment, as well as the adoption of more rationalised systems of production.

The Dairy at Hamrun has been in operation since 1938 and was originally designed to handle a daily maximum of 4,000 gallons of goats' milk for direct consumption. Today

it is processing as much as four times this quantity, made up of cows' milk, goats' milk, reconstituted dried milk, and flavoured milk. When the availability of surplus milk permits, the Dairy also produces yoghourt, cream and rikotta made from a combination of fresh milk and reconstituted milk powder. It is expected that the total throughput of the dairy will rise to above 20,000 gallons a day by the late Seventies.

Although over the years various items of plant have been replaced there is still room for considerable improvement, and it is accordingly planned to overhaul thoroughly the Hamrun Dairy through the replacement of outdated plant and equipment, by introducing modern systems to speed up the flow of work processes, and by increasing the present inadequate cold storage facilities.

It is also planned to increase the overall capacity of the Undertaking to process milk by means of new equipment for the production of recombined milk which will be used (a) to supplement the supply of fresh milk in times of scarcity, (b) to give the MMU sufficient additional supply to go in for the production of milk by-products should this prove economically viable.

The Milk Marketing Undertaking will aim to produce more rikotta in the coming years so as to keep up with the higher levels of demand for this traditional Maltese product. Present methods of production and sale are however outdated; the Undertaking will be introducing new systems to ensure more hygienic standards and to lower the production costs involved. Experiments on fruit flavoured yoghourt have also proved highly successful and, as a result, the Milk Marketing Undertaking will be embarking on plans to increase its output of this product and to offer a wider variety of milk products.

The Milk Marketing Undertaking is also planning to purchase and process sheep milk. This type of milk may be a source of brucellosis; cases of undulant fever have been attributed to the consumption of farm cheeselets produced from sheep milk.

Milk Collection

The present system of milk collection entails two daily deliveries of milk by producers to either of the two milk collection depots at Tal-Barrani and Msida. With the assistance provided by the World Food Programme milk producers are being encouraged to install milk coolers on their farms. This will result in a more economical and efficient collection system since it will mean that farmers will only need to make one delivery of milk a day. The system will moreover have an added advantage in that the milk immediately cooled after milking will be of better hygienic quality.

The milk collection system will be further improved during the Plan years so as to ensure that by 1980 about 60 per cent of milk will be collected by the Undertaking directly from the farms by tankers, thus reducing the workload at the depots. The intention is ultimately to close down the depots as soon as this is feasible, in order to cut down on running costs.

Broadcasting

The Broadcasting Authority is the body vested with constitutional and legal responsibility to ensure that in matters relating to broadcasting, where political and industrial controversy is involved, or where questions concerning current public policy are being dealt with, broadcasting facilities and time are fairly apportioned between contending parties.

The Authority is independent, and the Government recognizes that independence is necessary to ensure that broadcasting will continue to develop democratically, on non-partisan lines, and in the public interest.

While recognising the Authority's function as watchdog, the present Government was concerned when it came to office in 1971, about what it considered to be certain weaknesses in the prevailing physical communications me-

dia. Firstly, while the Authority was set up in 1961 to control contractors assigned to it by the Colonial Administration, the Authority could not in fact exercise these duties meaningfully since it was not involved in the organisation and production of programmes and could not, therefore, control programme content before broadcasting. Secondly, there should never have been the grant of exclusive rights to a foreign company to broadcast by wire, wireless and television for a period of 25 years. The Broadcasting Authority has already successfully brought to an end the foreign monopoly over broadcasting.

The Government considers broadcasting as a public service; the Malta Broadasting Authority should, in the national interest, extend its area of operations to the provision of broadcasting services under its own auspices. In fact the Broadcasting Ordinance itself, while enabling the Authority to confer the right to provide broadcasting services to contractors, does so without prejudice to the Authority's right to provide such services itself as and when deemed desirable.

Radio Malta

The Government has in fact recently enabled the Authority to obtain, mainly through donations from friendly foreign countries, all the necessary equipment needed to run a radio station of its own — Radio Malta. The transmitting facilities for this station were provided by the Libyan Arab Republic, the Italian Government, Deutche Welle as well as a private Italian voluntary organisation. Radio Malta has been transmitting from the former BBC broadcasting station in Delimara, with its studios situated at Blata l-Bajda.

Radio Malta commenced operations early in 1973. During the first year it ran a single channel (Radio Malta 1) and functioned more or less on a testing basis. Radio Malta 1 established itself on a regular basis on 8 January 1974 and has since been running a 17-hour daily service. This service, which is partially supported by commercial revenue, can be received over a radius of some 500 miles, which covers Southern Italy, Tripoli and Tunis.

A second channel and an international channel started operating recently. Radio Malta is now undergoing a period of consolidation. It is seeking to improve the quality of its transmissions and will, as its capacity to handle quality programmes increases, consider extending the range of its radio services.

Television Malta

The Government plans to set up its own television service. Arrangements are being made for the Broadcasting Authority to run this service either by way of some form of joint venture with Malta Television, or on its own, with equipment directly acquired through donations from friendly countries and with studio operations directly under Broadcasting Authority management and control, on lines similar to those in force for Radio Malta.

ECONOMIC INFRASTRUCTURE

Water

Water Problem

The low average annual rainfall and the fact that the major source of supply is ground water extraction, make water a scarce resource; its proper conservation, development and utilisation will continue to be a matter of vital importance. Agriculture, industry and tourism, the mainstays of the country's economy, are directly dependent on the availability of water while higher standards of living will also make an increasing call on demand for water for domestic consumption.

Note: Programmes related to social infrastructure are dealt with in Chapter III while plans on economic infrastructure directly related to specific growth sectors are treated in Chapter V.

This situation has price-policy implications. Water production entails a heavy burden on the Government budget and every endeavour will be made to eliminate waste. The use of water on directly productive activities, as well as for domestic purposes, justifies the public supply being provided below cost. In other cases, however, particularly where consumption is a luxury, or where its users can bear higher rates of charge, prices will be levied at rates more commensurate with production costs.

Prior to 1971 ground water extraction failed to cope with demand. Working on the assumption that the volume of water extracted from the aquifers could not be increased without exceeding the limits of salinity, resort was had to the desalination of sea water as a means of supplementing the total water supply. Yet it was apparent, well before 1971, that one of the factors giving rise to the salinity problem was over-concentration of extraction at certain points. Experts had advised that the same supply of water, and more, could be obtained through a wider spread of the areas of extraction.

Competent technical opinion in this respect was obtained from the WHO team, which was in Malta for several years from 1967, and other foreign experts. This advice was not heeded. Accordingly, on taking office, the Labour Government cancelled further planned distillation projects and devised a new comprehensive programme of new borehole drilling for those parts of both Malta and Gozo where the aquifers had not yet been sufficiently explored and exploited.

With the generous help of the Arab Republic of Libya, this programme is now well advanced. From results obtained so far, it is possible to assess the probable outcome. The expectation is that the total water supply from these additional boreholes should be able to contribute up to 1.5 million gallons per day on top of what is now being drawn from other ground water sources, after allowing for some reduction in the extraction rate in areas presently over-pumped.

An important extra dividend of the programme, therefore, apart from the possibility of additional production, will be the scope it will provide for improving the quality of water so that the average saline content from all areas will be reduced to acceptable limits. Assuming success in the borehole drilling scheme, there will thus be a steady supply of ground water of acceptable quality of around 3,700 million gallons annually.

The four distillers in Malta have a rated capacity of around 4.5 million gallons per day but for various reasons their performance has been below expectation. The technical process through which distillation takes place is related to the generation of electricity, which sometimes raises synchronization problems. Moreover, distilled water has to be mixed with ground water to render it drinkable and usable for domestic purposes. The supply of distilled water fed into the main stream has therefore been further subject to limitations imposed by mixing requirements.

The distillers have never been able to produce at their full rated capacity and the most that can be steadily relied on is around 1,200 million gallons (*) per annum. With the ground water obtained from additional boreholes there will, all told, be a total water supply of 4,900 million gallons available from both sources.

Except for peak summer demand, this would be an adequate supply, both now and over the rest of the Plan, were it not for the fact that a large part of the water produced has been, and is still being, unaccountably "lost" in the course of transmission from the production source to the consumer. There was a time when this loss element was as high as 50 per cent. Measures taken by the Water

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* Distillation is a costly process at the best of times; the recent fuel crisis has rendered continued use of this method of water production, as a primary source of water supply, prohibitive. For present purposes, however, in reckoning the total supply available to meet demand, it is assumed that the potential of the distillers' supply can be relied on.

Works Department have significantly reduced the percentage, but it is still unacceptably high, and is currently running at around 33 per cent. The target is to reduce the proportion of water unaccounted for to some 25 per cent by 1975/76, and further to perhaps around 20 per cent by 1979/80. The extent to which the loss can be reduced is a vital factor in determining the requirement of water from production sources.

Taking into account the new boreholes programme, and assuming further that there will be the anticipated improvement in prevention of water losses, particularly losses through leakage, while also reckoning on a satisfactory level of water supply through distillation to the extent that is technically and economically feasible, demand will get close to, but will not exceed, total supply towards the latter part of the Plan as the following figures demonstrate:

Table VII 4

FORECAST DEMAND/SUPPLY OF WATER 1973/80

Year	Availability			Gross Demand Level million gals (including Losses)	Loss rate
	Ground water million gals	Distillate million gals	Total million gals		
1972/73	3,200	1,200	4,400	4,020	33%
1975/76	*3,700	1,200	4,900	4,130	25%
1979/80	*3,700	1,200	4,900	4,620	20%

Note: (*) includes 500 million gallons estimated to be made available through the boreholes project.

Both the boreholes programme, and the loss prevention programme, are therefore crucial if total supply is to match forecast demand in the years ahead. Related to the supply aspect as well, is the need to ensure that the water supply extracted, under private licensing arrangements, by farmers from the ground aquifers is used as economically as possible.

Water Losses

As already indicated, one of the things plaguing Malta's water supply situation is the fact that a good part of the limited supplies that can be produced for domestic consumption is "lost" in the course of transmission via the mains supply. The term "loss" in fact covers a multitude of factors and includes illicit use of water, faulty metering of consumption, faulty recording of production as well as water that can strictly be deemed to be lost by way of leakage in the real sense. All the factors bearing on the total amount of water unaccounted for are remediable, and are being attended to. There is no doubt that leakage in the real sense does in fact take place on an unacceptably large scale, and tends to frustrate to a large extent all the Government's efforts to improve the water supply by way of increasing production flows.

In order to detect and eliminate leakages, a master metering programme has been in operation since 1970 and to date two-thirds of Malta has been covered. During the Plan the programme will be extended over the Maltese Islands and it should be possible to make further cuts in these losses.

Water Catchment and Conservation

Agriculture in Malta is mainly dry with just about 5 per cent of the land put to irrigation. Irrigated land produces the most lucrative crops and can be relied upon to yield roughly four times the produce gathered from rain-fed fields. The object of the Government's development programme is to increase the productivity of agriculture but water is, along with road access and other factors, one of the main constraints.

The small percentage of agricultural land benefiting from irrigation gets its water through private pumping arrangements, under licence, by the farmers concerned who before 1939 sank large boreholes and have been pumping water from these holes into their own reservoirs. These farmers, it is reckoned, draw as much as 1,400 million

gallons a year. Given the very limited potential of Malta's ground water resources, it is obviously necessary that closer control should be exercised on agricultural extraction to ensure that the water drawn is put to good use and wasteful practices are eliminated. These controls are in fact being applied but the prospects of increasing areas under irrigation through the fuller exploitation of water aquifers appear to be nil. Yet clearly if agricultural yields are to be substantially increased, water is one of the main factors that has to be reckoned with.

The only feasible alternative, apart from educating farmers in the more economic use of water, seems to lie in getting at that part of normal rain water precipitation which does not stay on land, but finds its way through one of Malta's various valleys out into the sea, where it is completely lost. An estimate of the amount of rainfall which so rapidly finds its way back to the sea is not easy to make; it is certainly a good percentage of the total.

The Government is taking urgent measures to catch at least part of this rain water, through building dams in various strategically situated areas, providing underground and surface storage areas, and through arranging for the water so saved to be channelled into agriculture for irrigation purposes. Underground cisterns in towns and villages are being reconditioned so that rainfall getting through to them can be conserved and made available in the dry months.

Apart from irrigating agricultural land the water thus collected will also be used to provide water for the afforestation and tree planting programmes which the Government is embarking upon on a large scale, both to enhance the environment and to increase the production of fruit.

Gozo

Current water extraction from the aquifers in Gozo, at acceptable salinity levels, is around 200 million gallons annually and this is enough to meet actual demand, apart from peak requirements in summer and irrigation needs.

Good progress has been made in substantially reducing the leakage rate which is now nearer to the internationally accepted level. It is far from easy to utilize the Gozo distiller(*) economically. It has a rated output of 150 million gallons per annum but this quantity is hardly ever needed. Moreover, mixing requirements will limit the amount of distilled water that can be used even if it is decided to rest the aquifers as much as possible by using distilled water as the primary source. Domestic demand alone will not, in the foreseeable future, require this vast amount of water from the distiller, and if it were decided to use desalinated water for agriculture, the cost of production alone would be prohibitive. The experience of the past three years confirms the doubts expressed by the Government on taking office as to whether the project should have been undertaken.

Ports

The main projects envisaged for the current Plan will be carried out in the Grand Harbour area and in the north western tip of Malta. The Grand Harbour projects will provide more efficient port facilities to meet the needs of industry and commerce. Account will be taken of the changing techniques in the handling of cargo, and of the joint use made of the Grand Harbour by the commercial port users and the Drydocks. The project for the northern part of Malta complements works in Mġarr, Gozo. These works will provide shelter at the Malta end of the Gozo channel so that sea transport between Malta and Gozo may run in virtually all weather conditions.

The industrialisation of the country will generate a corresponding increase in the volume of cargo handled in the ports. Facilities have therefore to be provided to take this increase and to cope with the new techniques in cargo

(*) The distiller is now out of commission owing to the high cost of fuel, and its future presents a problem.

handling. Certain types of cargo will still reach Malta in the conventional form, but the tendency to containerise cargo is expected to grow in the coming decade, and palletisation is becoming more widely adopted. The quicker turn round of ships, and the safeguard it provides against pilfering of goods on the quay and in the sheds, will make unitisation more popular.

Container Berth Complex

Unitised cargo traffic will be handled in Shipwrights Wharf which, together with the adjacent end of Coal Wharf, is being developed into a container/RORO berth complex. The scheme includes the conversion of the former Boom Defence yard into a container/trailer depot which will provide stacking ground for containers and parking space for trailers, along with a covered shed for groupage operations and ancillary services.

Laboratory/Magazine Wharves

Laboratory/Magazine Wharves are being developed to provide a deep water berth for the British Navy and Malta's commercial needs, and a fitting-out berth for the Drydocks. The development, to be completed in 1975, incorporates (a) the realignment of the two adjacent berths; (b) the construction of a short arm of quay along Ras Hanżir promontory to permit the operation of RORO traffic through stern or bow doors; (c) the construction of a transit shed leaving an apron wide enough to permit the movement of RORO vehicles and equipment; and (d) the provision of administrative offices.

The scheme is complemented by the construction of an access road from the wharves to Kordin which will link the new industrial estate with the wharf complex immediately below it. This road is almost completed.

Equipment

Consideration is being given to the purchase of substantial modern mechanical equipment for the efficient handling of both conventional and container traffic. It is

intended to purchase a gantry crane along with other cranage, trailers, tractors and other necessary equipment.

New Port

The Plan contemplates the reconstruction and modernisation of the whole complex of sheds and quays in the area of the Grand Harbour known as the New Port promontory. The project will cover (a) the reconstruction and modernisation of the Mifsud Verandahs; (b) the realignment of Church Wharf to provide additional facilities for the small type of ship carrying general cargo; (c) the realignment of Bridge Wharf; (d) the construction of single storey clear span transit sheds suitable for the utilisation of mechanical handling equipment; and (e) the provision of offices.

Menqa

Another scheme affecting that part of the Harbour relates to the development at Menqa which has in the past been used merely as a repository for abandoned craft. It is intended to exploit the potential of this basin by carrying out development works in the area to provide additional berthing facilities and quay space. The works will include the dredging of the bottom to secure the required depth of water and the removal of the arms of a former, now derelict, movable bridge.

Bonded Stores

Bonded space available to the Customs Department is somewhat restricted; it has become more so with the relinquishment of Laboratory Wharf stores. Space for bonding goods is being found with difficulty and in certain cases — such as goods of certain bulk or weight — bonded space is not available. To meet this present need, as well as future requirements, steps will be taken to provide additional bonded storage capacity.

Fire Fighting

The Grand Harbour lacks adequate fire fighting facilities. These have been lacking from the time when the British Royal Navy withdrew its craft some years ago. It is therefore necessary to have available at all times, equipment both on land and at sea able to cope with fires which may break out on vessels afloat. This is particularly important in view of the fact that most of the vessels in the Harbour are tankers coming in for repair. The Government will be setting up a modern, fully equipped fire fighting service able to ensure that hazards of this nature can be readily coped with.

Breakwater

The Breakwater arms are badly in need of repair. Discussions are in progress with the British Government with a view to collaborating in the necessary repair works. It is also proposed to reinstate the bridge arm which was destroyed when Italian E-boats attacked the Grand Harbour in 1941.

Cirkewwa

The present Marfa ferry terminal is considered inadequate for present day traffic. Moreover it does not provide safe anchorage during stormy weather. The completion of the Mġarr harbour project will result in the provision of a well-protected berth at Gozo; this calls for the provision of a corresponding shelter in the northern part of Malta so that essential sea transport between the two Islands is kept going virtually throughout the year. The Cirkewwa project will meet this need; it will also provide berthing facilities for other craft and fishing vessels.

Grain Storage Facilities

The existing grain storage facilities provide for the bulk storage of wheat, barley, maize and other types of animal fodder up to a total amount of 25,000 tons. This storage capacity suffices for only a very small part of the annual grain and fodder requirements. The stores are also awk-

wardly dispersed. Before long the annual requirement will build up to around 150,000 tons of which about 50,000 tons will be wheat and the remaining 100,000 tons barley, maize and other grain and fodder.

Storage for wheat at present is provided as follows:

Table VII 5

WHEAT STORAGE FACILITIES

AT THE PORT	
Government Silo, Marsa	12,500 tons
Private silos	2,500 tons
	15,000 tons
AT LUQA	
Private silos (of which 8,000 tons are by agreement at the Government disposal	10,000 tons
	25,000 tons

It is desirable to have stores concentrated as much as possible in the port area. The main advantage would lie in elimination of double handling. Sufficient storage space should be made available to take larger quantities of grain and similar essential items for emergency reserve purposes and to permit purchase in bulk when market conditions are right. Moreover, consumption is tending to increase progressively, largely due to the development of the dairy and animal husbandry industries. It is considered that Malta's port storage capacity should be increased to take the equivalent of 4 months' supply of all types of grain and fodder, at any one time. This means that silo storage capacity in the port area should be increased from its present level of 15,000 tons (2,500 privately owned) to around 50,000 tons.

It is intended to build the additional capacity close to the existing Government grain silo, with the additional storage chambers constructed or excavated across the road from the present silo complex. This would result in savings on handling costs since the new chambers could be fed directly from the discharging ships, in the same way as the present silo is fed, through the same suction and conveyor equipment, which would be extended to the additional storage space. The construction of these storage facilities calls for special knowledge and experience; advice on the design and implementation of the scheme is being obtained.

Cold Storage Facilities for Fish

The Government has acquired a former privately owned cold store at Barriera Wharf, Valletta, situated close to the Fish Market. The place has considerable storage potential but needs extensive reinstatement and adaptation as well as installation of more modern equipment. The necessary works are in hand. In addition to the Barriera project, reinstatement and reconstruction works at the former Admiralty Cold Stores at Pawla Hill are also being undertaken. This project will provide valuable additional storage space which will be used partly for more fish and partly for other perishable consumer commodities.

Civil Airport

In the coming years air traffic at the Malta airport is expected to increase considerably due to the anticipated increase in the number of tourists and the increasing air cargo requirements of Malta's manufacturing industries. The trend in the type of aircraft used is towards larger wide-bodied aircraft which cover longer distances.

It has therefore been considered necessary to modernise the airport by: (a) extending the runway to enable the airport to be used by the new generation of aircraft, as well as by some of the present larger types of aircraft which can only now use the airport when not fully loaded; (b) enlarging the old terminal to cope with a larger number of passengers and to cater for the requirements considered standard in international airports.

There are two runways at Luqa Airport, the main runway and a shorter subsidiary runway. Because of the nature of the terrain only the shorter runway could be extended. The project now well advanced entails the lengthening of this runway to over 4,000 metres. It will provide new, larger, apron facilities and a peripheral road skirting part of the runway.

Four tunnels are being constructed. One tunnel will take the essential services (such as telephone and electricity cables, drainage, oil, etc.) while another one will function as a traffic through-way to replace the existing Luqa-Żurrieq road and to provide access to the terminal from the eastern side of the extended runway. The other two tunnels will serve as big water culverts for the drainage of surface and deep run-off water from the runway, taxiways and apron. The drainage system also involves the construction and excavation of two water reservoirs in the Ħas-Saptan and Bir Miftuħ area.

Work on the runway, taxiways and apron as well as on the various tunnels has been going on for some time already. Very extensive rock cutting, filling and levelling work has been done by P.W.D. labour, by contract and by the Pioneer Corps under the guidance of the Italian Military Mission in Malta. Part of the project is expected to be completed in mid-1975. The several tunnels are all out on contract with completion targets not later than this date.

Along with the works envisaged in the extension of the runway, there will be other requirements connected with the provision of adequate lighting for the runway, to meet international standards. It will also be necessary to install radio-navigational aids, including an instrument landing system.

A development arising out of the formation and commencement of operations of Air Malta has been the decision to construct a large hangar close by the existing terminal which is required primarily to accommodate Air Malta aircraft. It will also be available for use by other aircraft.

Another project consists of the proposed strengthening and extension of the existing apron. The strengthening is part of the maintenance process to enable the apron to take heavier aircraft loads, and the extension is needed because with Air Malta aircraft based at Luqa, and with the increased air traffic flow expected, larger numbers of aircraft will be parking.

Roads

A fabulous amount was invested in road construction, extensions and modifications in the past thirty years. However, the previous programmes tended to cater for projects largely in isolation, and not in terms of a coherent master plan for the whole of Malta which would meet the requirements of traffic flow, and secure adequate connections between the harbour, the airport and industrial estates. Past piecemeal planning still makes it necessary for Malta to embark on some fairly large scale road works, particularly road works in and around the port area to feed new industrial estates as well as works designed to rationalise traffic flows between, and within, densely populated areas.

The policy that will govern investment in the road sector will, therefore, be largely determined by the following considerations:

(a) to limit large scale new projects to the barest minimum compatible with essential communication needs, and to ensure that costly outlays on such projects are made only if economically justified;

(b) to improve, through planned schemes, the flow of traffic in a number of urban areas, and to develop further access to industrial and tourist areas;

(c) to improve existing roads through widening, removal of dangerous corners and general traffic improvements;

(d) to improve the quality of road surfacing by extending the hot asphalt programme as widely as possible, and to help reduce the incidence of recurrent maintenance charges.

Two new road projects are the new Marsa Traffic Scheme and the Msida-Santa Venera road. The new Marsa Traffic Scheme will relieve congestion in the existing Marsa main road, taking traffic to the inner recesses of the Port as well as traffic beyond Marsa towards the industrial estates and the Airport. The Msida-Santa Venera scheme is intended to link the south end of Sliema Regional Road to Santa Venera by means of a bridge across Msida valley, permitting a diversion of a considerable part of the flow of traffic, now converging on and choking Palm Square, Msida.

Substantial road improvements are being undertaken to facilitate the transport of agricultural produce and access to large areas of farmland hitherto barely accessible to vehicular traffic. The Baħrija/Fomm-ir-Riħ complex, and the Mtaħleb farm road, are two schemes of this type; many other similar projects are being planned.

As a result of favourable contract arrangements, and also in view of the acquisition by the PWD of its own Bitmac production and surfacing equipment, resurfacing is being undertaken on a much larger scale than hitherto. The objective is to cover all the major and most of the secondary roads with Bitmac surfacing.

The roads programme is extensive and it would be tedious to mention all the schemes. It is devised mainly with a view to meeting specific functional needs. There is an element of flexibility in so far as the timing and phasing of certain projects are concerned. This makes it an ideal instrument at the disposal of the Government as an economic regulator. Roads projects can be advanced, or postponed, depending on how important it is to generate economic activity in this particular sector, or to deploy resources instead on to more directly productive work.

Sewers

The existing sewer network was started before the turn of the century and extensions have been gradually carried out since then. Development in this field was given a great impetus after 1955, but despite these improvements there still remain many localities, particularly seaside resorts, with no water carriage facilities. At the moment around 90 per cent of the population is served by the sewer network. The remaining 10 per cent have on-site disposal systems consisting mainly of cesspits. In Gozo only 65 per cent of the population is served by a regular sewer system.

There is need to extend and improve the sewer service to the remaining built-up areas of Malta and Gozo and to provide other less populated areas with adequate sanitary facilities so as to remove risks of pollution. Pollution hazards on land, and at sea, are increasing and must be controlled and abated.

The drainage mains in Malta are all planned to lead to discharge points on the coast and the Gozo system is also geared to coastal discharge. Discharge of crude sewage takes place directly into the sea at water's edge. The volume of sewage passing through the systems has increased to such an extent that the sea area around the discharge points is now being heavily polluted, at a time when Maltese waters are also being exposed to pollution hazards in many other ways from external sources.

The Plan accordingly envisages four types of projects:

(a) sewer extensions to areas not sewered to date, including seaside and tourist resorts. This should result in the abatement of coastal pollution, the prevention of the contamination of aquifers and the elimination of overflowing or leaking cesspits;

(b) projects in industrial zones to take industrial waste which, along with domestic sewage in the various areas, cannot be accommodated by the existing systems;

(c) various extensions which will continue to be carried out in areas already sewered by the water borne system, to keep pace with housing development in the various towns and villages in Malta and Gozo. These projects also include the replacement and the reconditioning of old sewer mains and some pumping stations;

(d) projects concerned with the sea-pollution problem. It is intended to do away with discharge from the existing outfalls at water's edge, and to arrange for the discharge to take place, instead, by submarine pipelines at a distance out to sea of around 1 kilometre; at such a distance sufficient dilution and dispersal of sewage takes place, under normal weather conditions, and most prevailing sea currents, to eliminate virtually all traces of contamination. If the system load so warrants additional discharge points will be laid so as to relieve the pressure now having to be carried on existing outfall routes.

PART V

THE PLAN AS A RALLYING POINT

Chapter VIII

CONCLUSION

Malta is not only a small but also a new country which has only just begun to discover her national identity and to emerge, with growing self-confidence and self-respect, as an independent nation. Being small and being young Malta is exposed and vulnerable. But with vulnerability goes the determination to respond to the challenges of the time. Malta has a greater degree of social cohesion and national solidarity than countries more generously endowed with physical resources, but with deep internal divisions.

Social cohesion and national solidarity are evident in the manner in which a compassionate and caring society provides the opportunities for all citizens to lead a full, rewarding, satisfying life; in the way it looks after the victims: the unemployed, the old, the ill, the handicapped; and in the way it provides a physical environment for the full development of the personality of every citizen. This cohesion is something eminently worth while in its own right, but it is also essential for flexibility and adaptation to change.

A plan can be many different things: it can be a set of marching orders with penalties attached for disobedience; it can be a blueprint or an academic exercise in spotting trends, setting up targets and specifying required instruments; it can be a more or less sophisticated mathematical formulation of a consistent and comprehensive set of equations, with dependent and independent variables, parameters and coefficients specifying the interdependence of these variables.

The Plan for Malta is none of these things, though it contains elements of each. Above all, it is a statement of needs, of aims and of objectives, which themselves are expressions of principles and convictions; and it is a statement of the measures required to meet the needs to achieve the objectives. It has flexibility built into it, so that new

avenues can be explored, as Malta proceeds along the development path, and responses changed should events turn out to be substantially different from what they were expected to be. Development consists in the removal of rigidities and the danger that the Plan becomes just an added rigidity in the system must be avoided at all costs. But flexibility, which is a recurring theme in the Plan, must not be an excuse for absence of planning. On the contrary, it is the only way in which effective planning can be implemented in a small, open society like Malta.

The fundamental purpose of the Plan for Malta is to mobilise support and enthusiasm for the achievement of shared aims by all sections of the community. The national Plan will come to nothing unless it is matched by corresponding and supporting plans of private firms, voluntary organisations and, indeed, individual citizens. It is for this reason that Malta needs full participation of all — workers, employers and the self-employed — so that "planning from above" and "planning from below" meet and reinforce one another. Such an interlocking set of plans of the Government and private individuals and organisations, to which all are deeply committed, will guarantee success.

The Plan runs until 1979 and is concerned with important economic and social targets. But beyond 1980 beckons the future. A plan must contain a vision of the long-term path that development is going to take. At heart it is the vision of a Maltese society, in the last quarter of the twentieth century: self-reliant and independent, willing and able to make its own choices, receptive to new ideas and to modern science and technology; open to new friendships and willing to maintain old ones if they serve the cause of peace; an island population ready to embark with zest on the new ventures which freedom has brought within the grasp of the younger generation.